Corporate Profile

General Information (As of March 31, 2009)

SANYO Electric Co., Ltd.

Foundation	: Founded: February 1947, Incorporated: April 1950
Capital	: ¥ 322,242 million
Number of Subsidiaries and Affiliates	: Subsidiaries 176 (Domestic 59 Overseas 117) Equity method affiliates 54 (Domestic 25 Overseas 29)
Number of Employees	: Consolidated 86,016 (Domestic 28,292 Overseas 57,724)
Head Office	: 5-5, Keihan-Hondori 2-chome, Moriguchi City, Osaka 570-8677, Japan Telephone:+81-6-6991-1181 Facsimile:+81-6-6992-0009
U.S. Contact Address	: SANYO NORTH AMERICA CORPORATION 2055 Sanyo Avenue, San Diego, CA 92154, U.S.A. Telephone:+1-919-661-1134 Facsimile:+1-619-661-6795
Websites	: Company information http://sanyo.com/ IR information http://sanyo.com/ir/en/

Management Philosophy

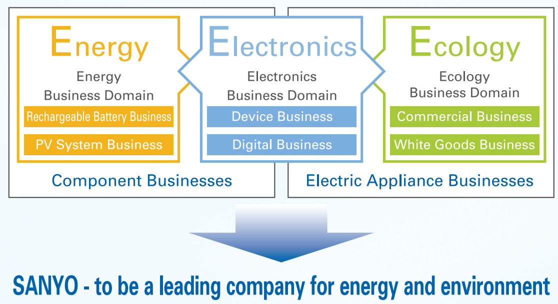
We are committed to becoming an indispensable element in the lives of people all over the world.

Brand Vision

Think GAIA

For Life and the Earth

Business Domains



Executives (as of June 26, 2009)

Members of the Board

Executive Director & President
Seiichiro Sano

Executive Director & Executive Vice President
Koichi Maeda

Member of the Board & Executive Vice President
Mitsuru Homma

Member of the Board
Kazuhiko Suruta
Kentaro Yamagishi
Toshihiko Onishi
Ankur Sahu
Hidetoshi Arima
Shigeharu Yoshii

Corporate Auditors

Standing Corporate Auditor
Hideo Matsui

Corporate Auditor
Takeharu Nagata
Akira Nakata

President & Vice Presidents

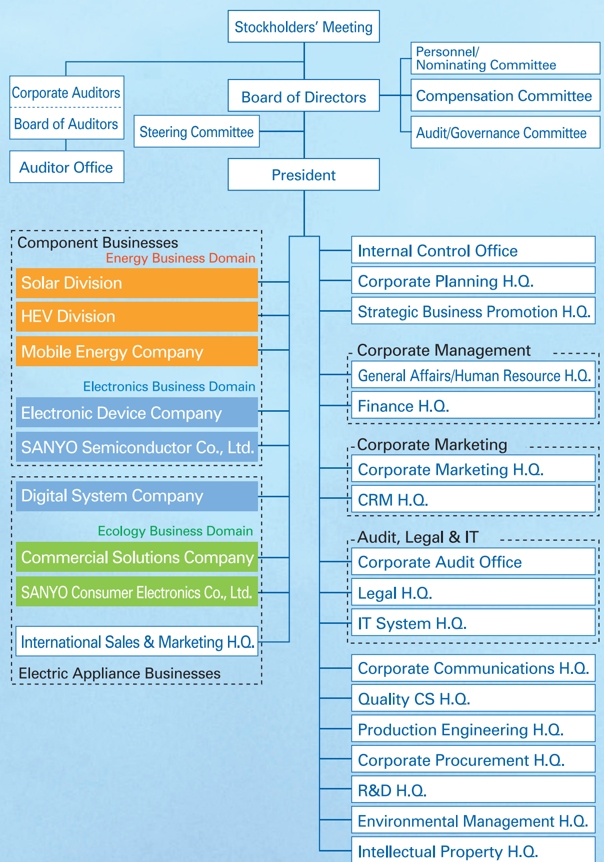
President
Seiichiro Sano

Executive Vice President
Koichi Maeda
Mitsuru Homma

Senior Vice President
Hidetoshi Arima
Shigeharu Yoshii
Kazuhiro Takeda
Masato Ito
Morihiro Kubo

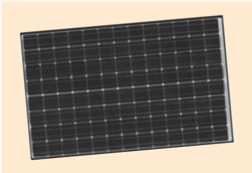
Vice President
Teruo Tabata
Shinya Tsuda
Keiichi Yodoshi
Nobuaki Matsuoka
Katsuhisa Kawashima
Satoru Hotta
Tetsuhiro Maeda
Yoshio Watabe
Takao Ando
Takashi Hirao
Hirokazu Teshima
Tsutomu Nozaki
Shinji Takagaki
Kazuhiro Yoshida
Hideharu Nagasawa
Masafumi Yoda
Junichiro Tabuchi
Takahiro Wada
Masami Murata
Fumitoshi Terashima
Hiroki Osaki
Isao Oba
Mitsuaki Naito
Yoshinori Nakatani
Keizo Mori
Katsushiro Goto
Akira Ibaraki
Hiroshi Ikeuchi
Setsuo Takatori

Organization Chart (As of June 26, 2009)



Major Products

Energy Business Domain


Solar Module


Rechargeable Batteries


HEV Battery System

Ecology Business Domain


Refrigerating Machine / Showcase


Biomedical equipment


Drum-type Washer/Dryer

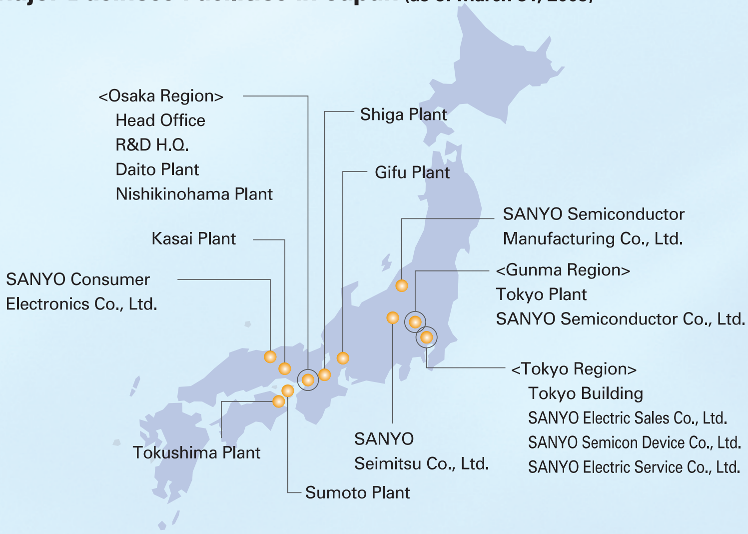
Electronics Business Domain


Digital Movie Cameras


Car Navigation Systems


Capacitors

Major Business Facilities in Japan (as of March 31, 2009)



Major Subsidiaries Outside Japan (as of March 31, 2009)

Asia

SANYO ASIA PTE LTD
P.T. SANYO JAYA COMPONENTS INDONESIA
SANYO ELECTRIC (CHINA) CO., LTD.
SANYO ENERGY (SUZHOU) Co.,Ltd.
Dongguan Huaqiang SANYO Motor Co., Ltd.
SANYO ELECTRIC (HONG KONG) LIMITED
SANYO ENERGY (TAIWAN) CO., LTD.

North America

SANYO NORTH AMERICA CORPORATION
SANYO Manufacturing Corporation
SANYO ENERGY (U.S.A.) CORPORATION

Europe

SANYO HUNGARY KFT.
SANYO Europe Ltd.
SANYO COMPONENT EUROPE GmbH

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Notice Related to Future Outlook

All statements in this annual report, other than past factual matters, are future results projected in accordance with SANYO's present plans, outlooks and strategies, based on management judgments in light of information currently available. Therefore, SANYO cannot guarantee the accuracy and reliability of this information, and requests that you should not rely on this information alone.
There are various risks and uncertainties relating to factors that can cause change in business results. The principal factors influencing results include: 1) large changes in economic conditions and capital markets, as well as consumption changes in businesses SANYO engages in, 2) the effects on SANYO's international business activities of fluctuation in exchange rates between the yen and the U.S. dollar, as well as the yen and other currencies, 3) various trade restrictions in the markets of individual countries, and 4) SANYO's ability to provide new technologies, new products and new services amid rapid technological innovation in information technology (IT), market competition and price competition.
However, it should be noted that factors affecting SANYO's performance are not limited to those mentioned above; there are other factors that pose latent risks and uncertainties.

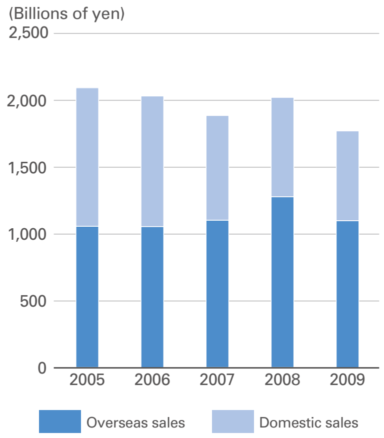
In this annual report, "the Company" refers to SANYO Electric Co., Ltd. and "SANYO" to SANYO Electric Co., Ltd. and its subsidiaries, unless otherwise specified.

Financial Highlights

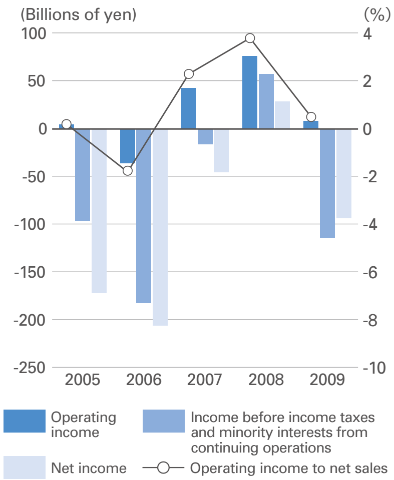
SANYO Electric Co., Ltd. and subsidiaries Fiscal years ended March 31

	Millions of yen					Thousands of U.S. dollars
	2009	2008	2007	2006	2005	2009
■Performance						
Net sales	¥ 1,770,656	¥ 2,017,824	¥ 1,882,612	¥ 2,031,652	¥ 2,089,791	$ 18,067,918
Domestic sales	670,777	742,528	782,012	975,597	1,034,825	6,844,663
Overseas sales	1,099,879	1,275,296	1,100,600	1,056,055	1,054,966	11,223,255
Operating income (loss)	8,276	76,141	42,605	(35,905)	4,850	84,449
Operating income (loss) ratio to net sales	0.5%	3.8%	2.3%	(1.8%)	0.2%	—
Income (loss) before income taxes and minority interests from continuing operations	(113,748)	57,228	(16,084)	(182,032)	(96,140)	(1,160,694)
Net income (loss)	(93,226)	28,700	(45,362)	(205,661)	(171,544)	(951,286)
■Financial conditions						
Total assets	¥ 1,345,403	¥ 1,683,837	¥ 1,970,940	¥ 2,154,837	¥ 2,600,677	$ 13,728,602
Interest-bearing debts	447,939	488,886	678,878	792,166	1,213,879	4,570,806
Net interest-bearing debts	228,546	208,180	344,192	494,666	918,897	2,332,102
Stockholders' equity	146,454	308,043	312,008	402,892	288,268	1,494,429
Stockholders' equity ratio	10.9%	18.3%	15.8%	18.7%	11.1%	—
Debt equity ratio	3.1 times	1.6 times	2.2 times	2.0 times	4.2 times	—
■Reference information						
Capital expenditure (excluding intangibles)	¥ 106,533	¥ 79,527	¥ 73,316	¥ 67,103	¥ 95,233	$ 1,087,071
Depreciation (excluding intangibles)	68,685	70,293	72,716	76,881	85,657	700,867
R&D expenses	75,434	71,797	90,094	94,267	114,157	769,735
■Per-share information (yen and U.S. dollars)	Yen					U.S. dollars
Net income (loss) per share	¥ (15.2)	¥ 4.7	¥ (72.7)	¥ (195.0)	¥ (92.5)	$ (0.15)
Stockholders' equity per share	(25.0)	1.3	2.0	16.8	155.4	(0.26)
Cash dividends per share	—	—	—	—	3.0	—

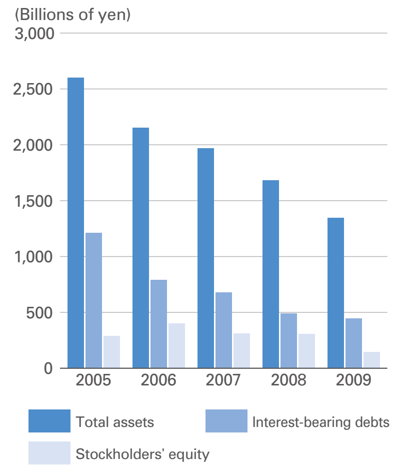
Net sales



Income



Total assets, Stockholders' equity and Interest-bearing debts



Notes:

1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥98 = US$1, the approximate Tokyo Foreign Exchange Market's rate as of March 31, 2009.
2. To be consistent with financial reporting principles and practices generally accepted in Japan, operating income (loss) is calculated as net sales and operating revenue, less cost of sales and selling, general and administrative expenses. SANYO feels that showing operating income (loss) is convenient for investors, since they can compare our financial results with those of other Japanese companies. Under accounting principles generally accepted in the United States of America, certain additional charges — for example, restructuring and impairment charges and abnormal product warranty costs — would be included in the determination of operating income (loss) in consolidated statements of income.
3. Due to the final agreement with Kyocera Corporation to sell the mobile phone business on January 21, 2008, SANYO shows its business results and profit or loss on sale, independently, in its consolidated statement of operations as discontinued operations. Prior period results have been reclassified in the same manner as presented for the fiscal year ended March 31, 2008.
4. Due to the sale of a portion of its shares in SANYO Electric Credit Co., Ltd. on December 27, 2005, SANYO shows its business results and profit or loss on sale, independently, as discontinued operations. Prior period results have been reclassified in the same manner as presented for the fiscal year ended March 31, 2006.

SANYO's Fiscal 2009 (fiscal year ended March 31, 2009)

2008

Apr. Management
- Sold mobile phone business to Kyocera Corporation

May Management
- Formulated SANYO's Mid-term Management Plan (fiscal 2009 - 2011)

May Business
- Agreed with Volkswagen Group to co-develop next generation lithium-ion HEV battery systems

Jun. Business
- Announced that Air Purification Systems equipped with 'virus washer' technology will be installed in all screens at 26 Warner Mycal Cinemas theaters in Japan

Aug. Business
- Commenced operation of new manufacturing facility for PV module production at the Shiga Plant

Sep. Business
- Through a capital injection, becomes the largest stockholder of Dalian Bingshan Group Co., Ltd., a leading company for commercial equipment in China
- Established a new solar silicon wafer manufacturing company SANYO Solar of Oregon L.L.C. in Oregon, U.S.A.

Oct. Business
- Announced a plan to increase PV module production capacity of the Monterrey Plant in Mexico
- Commenced operation of new solar cell manufacturing facility of Shimane SANYO Electric Co., Ltd.

Dec. Management

Entered into Capital and Business Alliance Agreement with Panasonic Corporation

On December 19, 2008, the Company and Panasonic Corporation, for the purpose of pursuing extensive synergy effects in all business aspects of the two companies, entered into a capital and business alliance agreement. Panasonic Corporation, following the completion of necessary procedures under domestic and foreign competition laws and regulations, plans to implement a tender offer to acquire the majority of the Company's stock. Once the tender offer has been successfully completed, practical matters regarding collaborative enterprises will be discussed through the "Collaboration Committee" formed by the two companies.

Panasonic President Ohtsubo (left) and SANYO President Sano

2009

Jan. Product
- Announced five new "Xacti" HD digital movie camera models simultaneously worldwide

Jan. Business
- Established SANYO ENEOS Solar Co., Ltd., a joint company for thin-film solar cells, with Nippon Oil Corporation

Feb. Product
- Released the "eneloop bike" electric hybrid bicycle

Feb. Business
- New manufacturing facilities completed for lithium-ion battery production at the Kaizuka and Nandan plants

To Our Stakeholders

Seiichiro Sano
Executive Director & President

Management Policies

Today, against the backdrop of ongoing environment-related issues, such as global warming and energy resource depletion, there is an increasing environmental awareness worldwide. In line with this trend, since 2005 SANYO has implemented a structural transformation in various areas with the intention of capitalizing on our proprietary global environment-serving technologies to capture business opportunities. Our aim is to transform from being a general home appliance manufacturer to being a "leading company for energy and environment." In May 2008, a three-year Mid-term Management Plan was launched with the mid-term management policy of "Regaining public trust and reputation and establishing the foundation for a highly profitable company to become a leading company for energy and environment."

During the fiscal year ended March 31, 2009 (fiscal 2009), the first year of the Mid-term Management Plan, SANYO implemented measures to make strategic moves for profitability growth in the future, including up-front investments in business areas with growth potential, such as HEV rechargeable batteries and PV systems, and establishing a joint company for thin-film solar cells with Nippon Oil Corporation. At the same time, to further increase profitability we have taken such actions as cost structure reform through group-wide cost reduction activities and strengthening of the market-in structure to increase sales in the electric appliance businesses.

Overall Business Performance in Fiscal 2009

In fiscal 2009, from September 2008 onward, there was an abrupt worldwide economic slowdown stemming from the financial crisis, resulting in reduced corporate capital investment and a drastic decline in consumption. To survive in this extremely harsh condition, businesses found themselves forced to make large-scale production adjustments and implement further structural reforms.

This abrupt slowdown of the world economy also had a larger-than-expected impact on the business performance of SANYO. Consequently, net sales for fiscal 2009 were down 12.2% from the previous year to ¥1,770.7 billion due to a drastic decrease in demand for semiconductors and electronic components in the digital equipment market and sluggish sales and a price decline of consumer equipment, such as digital cameras. As for income, while achieving an operating income of ¥8.3 billion, a net income before income taxes and minority interests from continuing operations showed a loss of ¥113.7 billion due to posting of an impairment loss on fixed assets in the semiconductor business forced by the rapidly deteriorating business environment and a large amount of structural reform expenses to rebuild the base for ensuring profitability from fiscal 2010 onward. A net loss of ¥93.2 billion was reported, even with the gain on the sale of the mobile phone business.

Anticipating that this murky business environment will continue, at least through the first half of fiscal 2010, we cannot be optimistic that the market environment will turn around any time soon to bring about a rapid expansion of sales. Under these circumstances, SANYO has partially revised the current Mid-term Management Plan now being executed.

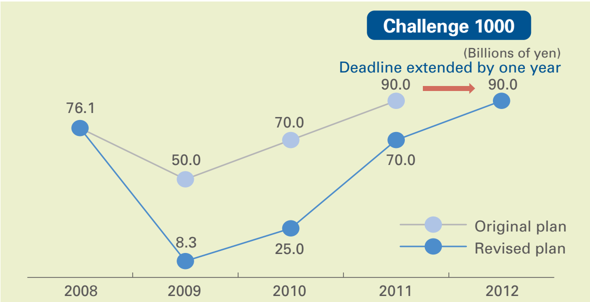
Revised Mid-term Management Plan

In the Mid-term Management Plan announced in May 2008 as "Challenge 1000," SANYO set an operating income goal of ¥90 billion for fiscal 2011 with the Challenge Goal being ¥100 billion or more (see the "Original plan" on the right). In the process of revising the plan, the current business environment was re-analyzed and business projects were carefully reviewed. As a result, a decision was made to extend the deadline for "Challenge 1000" by one year with the aim of realizing an operating income of ¥70 billion for fiscal 2011 and ¥90 billion for fiscal 2012. I will explain the background of this revision.

The economic environment is expected to remain harsh through the first half of fiscal 2010. However, we forecast that the economy will gradually recover from the second half of fiscal 2010 as the economic-stimulus packages promoted by various countries take effect. Nevertheless, price declines will further progress globally, which will keep the business environment severe even as the overall economy starts to recover. Therefore, we expect that a certain level of recovery will start in fiscal 2011 and a full recovery in fiscal 2012.

During fiscal 2009, SANYO implemented structural reforms, primarily in the semiconductor business and the electronic component business, which were heavily affected by the economic slowdown. In the semiconductor business, to promote concentration of management resources in the power device business, production bases were reviewed on a global level, back-office operations were streamlined, and the workforce was downsized through soliciting voluntary retirement. In addition, a large amount of impairment loss on fixed assets was posted. In the electronic component business, production bases were consolidated and the workforce was downsized in accordance with the drastic decline in demand.

Operating Income Goals (Fiscal years ended/ending March 31)



Through these measures, approximately ¥85 billion was posted as structural reform expenses for fiscal 2009. For fiscal 2010, an effect of approximately ¥30 billion to improve an operating income is expected.

As for the capital investment strategy, the original plan was to invest heavily in the three component businesses: rechargeable battery business, PV system business, and electronic component business, with a total three-year capital investment amount of approximately ¥360 billion. This will be curbed by ¥70 billion to approximately ¥290 billion. The primary reason for this is a temporary hold on investment in the electronic component business to increase production of capacitors and optical pickups. As for the rechargeable battery business, while the total investment amount will remain as originally planned, investment to increase production of consumer lithium-ion batteries will be temporarily held back, while investment in the HEV rechargeable battery business will be implemented ahead of schedule. Investment in the PV system business will generally be implemented as originally planned.

Initiatives for Fiscal 2010

In the revised Mid-term Management Plan, we consider fiscal 2010 to be the year for laying the groundwork for steady growth from the following fiscal year onward. In this context, we are promoting the following two policies.

First, we will promote "Intensive Strengthening of Management Structure."

To transform into a management structure capable of ensuring profitability, even in a continuously harsh economic environment, we will implement thoroughgoing structural reforms, such as withdrawing from businesses with no prospect for profitability and shifting management resources to high-value-added products. At the same time, we will intensify cost-reduction activities.

In the electronics business domain, the electronic component business will withdraw from the general-purpose LED business and strengthen the lighting-purpose LED business. Thus, underperforming businesses will be discontinued and production bases reorganized accordingly to shift management resources to the growing fields.

In the ecology business domain, the home appliance business will accelerate shifting of management resources to sales of refrigerators and washing machines in regions with high future growth potential, including Asia, and discontinue in-house production of low-price household air conditioners, except for those for China, and switch to OEM-based procurement. In conjunction with this, overseas production bases will be consolidated to improve management efficiency. In the cold chain business, sales subsidiaries in Japan will be integrated to construct an efficient sales structure.

Through these measures, the decline in income due to decreased sales and foreign exchange rate fluctuations will be covered for fiscal 2010.

Consequently, for fiscal 2010, net sales of ¥1,660 billion, an operating income of ¥25 billion, and a net income of zero are forecast.

Second, we will promote "Making Strategic Moves for Future Growth."

Today, various advanced countries have passed economic-stimulus packages, as represented by the Green New Deal, which target the environment and energy-related fields. Their major contents can be categorized under three key phrases: Diffusion of next-generation vehicles; Utilization of renewable energy sources; and Construction of an energy-saving society. These are directly related to SANYO's HEV rechargeable battery, photovoltaic system, and commercial equipment businesses. Therefore, it is our conviction that this trend will bring about major business opportunities for SANYO, which has steadily concentrated business resources in the environment and energy-related business fields.

Economic-stimulus Packages and Environmental Policies of Various Countries and Region Directly Related to SANYO's Businesses

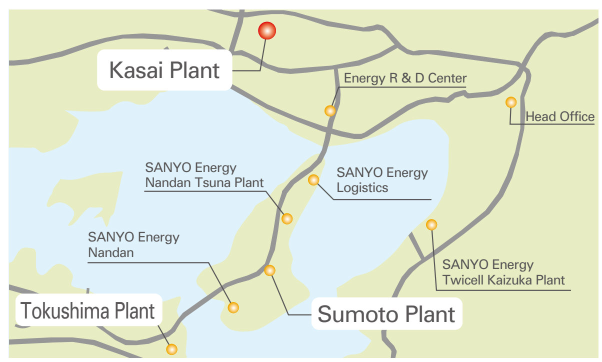
HEV Rechargeable Battery

Today, the HEV market is rapidly expanding because of price reduction and increasing awareness about the environment and energy conservation. Currently, nickel-metal hydride (NiMH) batteries are the mainstream HEV batteries. In response to this rapid HEV market expansion, SANYO will increase its production of NiMH batteries. Further, we will start full-scale production of lithium-ion batteries at the Tokushima Plant during 2009, which are expected to become the main HEV battery in the future. And by constructing a new lithium-ion battery manufacturing facility in the Kasai Plant in Hyogo Prefecture, we are responding to the rapid increase in demand for rechargeable batteries for environmentally friendly vehicles.

In addition to HEVs, there are other products being created based on rechargeable battery technology for motive power. One example is the electric hybrid bicycle. Electric hybrid bicycles are built to contribute to the global environment by using "energy generation" and "energy recharging" technologies that enable power generation and recharging through brake operation. Buoyed by the growing environmental awareness, they are coming into the spotlight as ecological and economical vehicles and their market is expected to expand in the future.

SANYO will also promote sales expansion in this area by intensively marketing the "eneloop bike" released in February 2009.

Rechargeable Battery-related Business Sites in Kansai Region (West Japan)



The Kasai Plant is located close to both the Sumoto Plant, which is a nickel-metal hydride HEV battery production base, and the Tokushima Plant, which is already engaged in production of lithium-ion HEV batteries, and is working to efficiently conduct business operations by coordinating closely with the business bases of the Mobile Energy Company (Main Office: Sumoto Plant) in charge of the consumer rechargeable battery business.

Product Introduction | Serving Global Environment with "Energy Generation" and "Energy Recharging" Technologies that Enable Power Generation and Recharging while Running

New Generation Electric Hybrid Bicycle "eneloop bike" which Is Comfortable and Environmentally Friendly

eneloop bike
Electric Hybrid Bicycle

Main Features

1) "Energy generation" and "energy recharging" for effective energy use
   - Incorporates a regenerative charging function to generate electricity (energy generation) and recharge the battery power (energy recharging) when the brake is applied on a downgrade or when decelerating. Compared to models which do not recharge while running, the mileage per charge is dramatically longer.
   - Longer mileage results in reduction of charging frequency, leading to "energy conservation."
2) Responding to the New Standards and realizing comfortable riding
   - Is in line with the New Japanese Road Traffic Law Standard of "Assist Ratio up to 1:2," so, it requires less power to operate.
   - Incorporates a "Two-Wheel Drive System" in which the rear wheel is driven by human power and the front wheel is driven by a motor, guaranteeing a stable ride.

PV System

The PV system market is expected to continuously grow due to subsidy programs of various countries. However, due to market entry by many companies, competition is intensifying worldwide. To win this competition in the future, cost-competitiveness must be strengthened. Generally, the cost of a PV system is determined based on the cost per generated output. Therefore, SANYO is addressing this issue by improving generating efficiency as well as reducing production costs.

Efforts to improve electricity-generating efficiency have resulted in the HIT solar cell achieving the world's highest* conversion efficiency of 23.0% (22.3% with the existing model) for a practical-sized (100 cm^2 or larger) crystalline silicon solar cell at the research stage. In the future, we will apply this technology to mass-produced models while further advancing research and development to realize higher conversion efficiency. (*Data as of May 22, 2009, based on the Company's survey)

To lower production costs, we are working to realize a thinner wafer to reduce the use of silicon, which accounts for a large portion of the production cost. Further, to reduce the silicon wafer procurement cost, we are building a new silicon wafer plant in Oregon, U.S.A. The aim is to bring our in-house wafer production rate up to approximately 20% in fiscal 2011.

Regarding thin-film solar cells, whose market is expected to expand in the future, based on the alliance with Nippon Oil Corporation we are working to realize their commercialization at an early date. In the future, we will focus on securing orders from businesses like a large power plant.

Commercial Equipment

For the commercial equipment market, it is forecast that replacement demand for energy-saving purposes will increase in the future. SANYO operates commercial air conditioner and cold chain businesses and is capable of making comprehensive product proposals by adding engineering and maintenance services. To unfailingly capture sales opportunities, we will expand our customer base by strengthening the CRM (Customer Relationship Management) function and intensify comprehensive proposal activities, such as vigorously marketing "Eco Store System" that enables energy-saving through collaborative control of store equipment, such as air conditioners, showcases, and lighting.

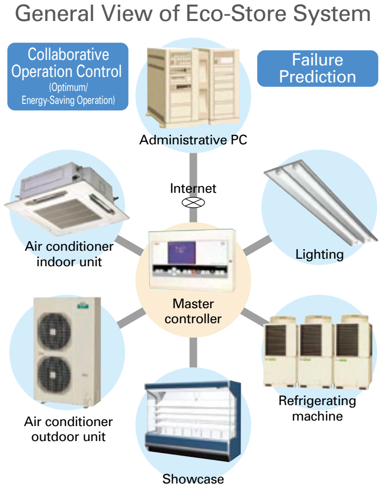
SANYO will preferentially distribute group-wide management resources to its environment and energy-related businesses with growth potential where SANYO has unique strengths.

In addition to the environment and energy-related fields, the health-related field market is also expected to expand in the future. SANYO handles medical information systems, biomedical equipment, and "virus washer" products that incorporate electrolyzed water technology to suppress airborne viruses. We will strengthen our sales structure on a global scale for these "health-related" products and services.

Thus, we will steadily make strategic moves for future growth in other promising areas as well as the environment and energy-related fields.

Product Introduction Master Controller that Centrally Manages Store Equipment Operation

General View of Eco-Store System



"Eco Store System" that Realizes Energy Saving for Supermarkets

By installing the Consolidated Energy Saving System for Stores, "Eco Store System," in a supermarket, optimum energy-saving control is possible with the Master Controller centrally managing the freezing/cooling equipment in the store, such as showcases for keeping food cool/frozen, refrigerating machines for cooling the showcases, and air conditioners

Save energy with "Eco Store System" that coordinates store equipment, such as a refrigerating machine and an air conditioner

Controlling excess cooling of open showcases leads to effective energy-saving for a store. By keeping the in-store temperature down with an air conditioner capable of a high cooling effect per wattage, instead of depending on the cold air coming from the showcases, the operating load of showcases can be effectively reduced.

The Eco Store System uses a communication network to connect store equipment which used to be individually operated, such as showcases, refrigerating machines, and air conditioners. Through optimally controlling this store equipment based on their real-time operation statuses, in terms of inner showcase temperature, air conditioner set temperature, etc., power consumption can be reduced drastically while preserving the freshness of food.

Capital and Business Alliance with Panasonic Corporation

In December 2008, the Company and Panasonic Corporation (Panasonic) entered into a capital and business alliance agreement on the premise that Panasonic will make the Company its subsidiary. This decision was made based on the judgment that in order for the Company to increase its corporate value amid the ever-increasing fierce global competition, Panasonic would be an ideal partner and this alliance could bring about great synergy effects. I will explain about the background which led to the conclusion of this alliance agreement.

Based on the Mid-term Management Plan, SANYO was aiming to make a further leap forward through making a strategy change toward a growth path. However, the rapid deterioration of the economic environment stemming from the financial crisis has seriously impacted the businesses of SANYO, and forced us to implement additional structural reforms.

In addition, regarding handling of the Company's preferred stocks, the restrictive period for their conversion to common stock or their transfer expired in the midst of the increasingly severe financial situation, and from a capital policy point of view we recognized the necessity for accelerating concrete discussion of this matter.

Under these circumstances, we received a proposal from Panasonic to form a capital and business alliance on the premise that Panasonic would make the Company its subsidiary. After carefully examining this possibility from the perspective of SANYO's corporate value enhancement, we concluded, based on the four points that follow, that Panasonic would be our best partner, in terms of realizing SANYO's future vision, and reached the decision to enter into this agreement.

First, the issue on how to handle the preferred stock will be settled.

For the Company, the most preferable and practical way to handle the preferred stock issue would be to have them transferred from the current holders to a third party of our choosing. This judgment was made after examining the situation from multiple perspectives, such as business operational advantages, possible impact on the stock market, and possible synergy effects if the third party is not a financial institution, but business corporation. In this context, we thought that the kind of party most suited to be the Company's partner would be a business corporation with a sufficient corporate scale and financial base to take the lead in the ongoing fierce global competition and capable of generating great synergy effects with the Company. In the end, we concluded that Panasonic clearly met these conditions.

Second, maximum synergy effects can be expected.

In the midst of the current unclear and harsh business environment, to further expand SANYO's businesses, primarily the environment and energy-related businesses, we thought it would be a great advantage for the Company to be able to utilize mutual management resources with a company like Panasonic, which is in the same trade. By combining the technologies and "*Monozukuri*" (innovative production) capabilities which the two companies have developed over the years, we can expect that new ideas and products, only possible by businesses in the same trade, will be created and great synergy effects generated.

Third, the Company's credibility will be enhanced.

To continue to advance businesses in such a harsh business and financial environment, the Company's credibility needs to be further enhanced. But, the reality is that there is a limit to what the Company can do alone to meet this requirement. In this context, tying up with Panasonic through a capital and business alliance will result in enhancement of the Company's credibility because of Panasonic's large corporate scale and financial base, which is a great advantage for the Company from a growth strategy perspective.

Fourth, SANYO brand will be kept and the Company will continue to be listed.

Considering the long-term continuing relationships built up with the Company's customers, employees' motivation, and liquidity of the common stock, maintenance of the SANYO brand and the continued listing of the Company's stock are also major factors to be considered in making a decision about an alliance. Regarding these, Panasonic recognizes that maintaining the SANYO brand and keeping the Company's stock listed for the time being will benefit both companies in maximizing synergy effects, and this is confirmed in the Capital and Business Alliance Agreement. In this way, the Company can unite the entire workforce to forge ahead toward the realization of the ongoing Mid-term Management Plan.

Regarding Dividend Payment

According to the Companies Act of Japan, the distributable dividend amount is calculated based on the non-consolidated financial statements. The Company posted a net loss of ¥100.5 billion in its stand-alone account settlement for fiscal 2009. Consequently, the Company's distributable dividend amount was negative as of March 31, 2009, which cannot be resolved even through reversal of capital reserve. Under the circumstances, we regret that the decision has been made to continue to forgo a year-end dividend payment for fiscal 2009.

In order for the Company to resume dividend payment in the future, a stable income needs to be ensured on a continuous basis. To this end, as previously described, we will emphasize the policies of Intensive Strengthening of Management Structure and Making Strategic Moves for Future Growth and will steadily promote these. At the same time, we will work to promptly generate synergy effects with Panasonic. Through these, we will aim to maximize future income.

Aiming to Become a leading Company for Energy and Environment

SANYO has major technologies relating to all three elements necessary for energy management: Energy Generation (power generation); Energy Recharging (power storage); and Energy Conservation (power saving). Related products include PV systems, rechargeable batteries, power conditioners, and commercial equipment. This is a unique strength of SANYO. By combining these technologies, it is possible to offer solutions which can realize significant reduction of energy cost, as well as help to reduce the negative effects on the environment. As a new business direction, SANYO will expand into providing comprehensive solutions for energy management

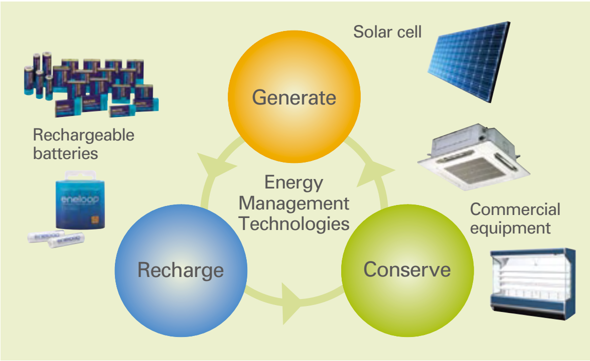
As well as developing such new businesses, by intensively strengthening and expanding our ongoing PV system business and HEV rechargeable battery business, we are hoping to make a significant contribution to the control of global-warming CO_2 emissions. The Japanese government has set the year 2020 as the deadline for its mid-term goal of greenhouse gas reduction. In line with this, SANYO is aiming to achieve a "carbon minus status (CO_2 emission control effect through use of our products surpasses the CO_2 emissions from our business activities)" in 2020. Thus, SANYO will work to increase its presence as an enterprise capable of contributing to the resolution of global environmental problems.

To realize this vision, we will intensively strengthen the management structure so that we can take advantage of growing business opportunities to realize our future growth.

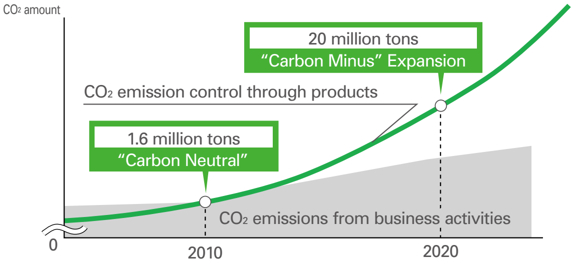
Through achieving steady growth and development as a "leading company for energy and environment," SANYO will continue to respond to its stakeholders' support and expectations.

We would like to ask all of our stakeholders for their continued understanding and support.

Energy Management Technologies of SANYO – A Comprehensive Solution Provider



Achieve Carbon Minus Status



SANYO's definition of the following terms

* Carbon neutral status: CO_2 emissions from SANYO's business activities and CO_2 emission control effect through use of SANYO products are balanced.
* Carbon minus status: CO_2 emission control effect through use of SANYO products surpasses CO_2 emissions from SANYO's business activities.
* CO_2 emission control effect through use of SANYO products is calculated based on SANYO's standards.

July 2009

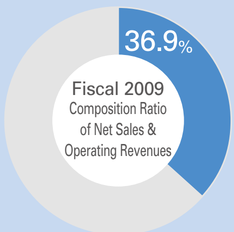
Seiichiro Sano

Seiichiro Sano
Executive Director & President

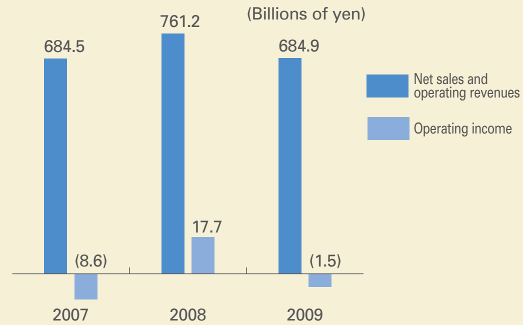
Overview of Operations by Business Segment

Major Products/Services | Performance (Fiscal years ended March 31)

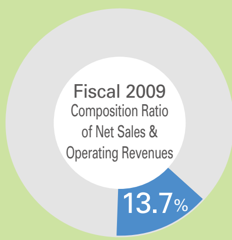
Consumer



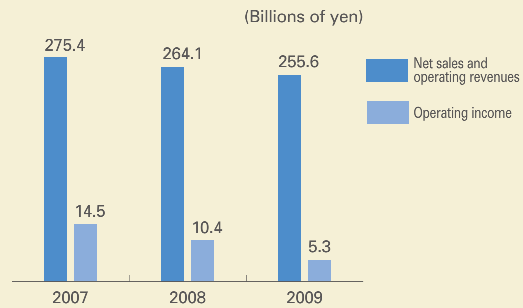
Digital cameras
TVs
Projectors
Car navigation systems
Washing machines
Air-conditioners
Refrigerators



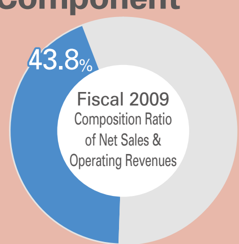
Commercial



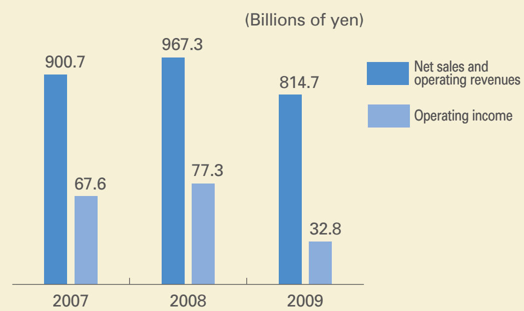
Showcases
Commercial air conditioners
Absorption chillers
Commercial kitchen equipment
Medical information systems
Biomedical equipment



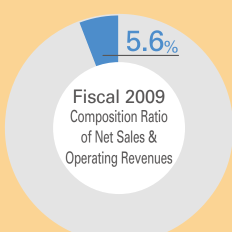
Component



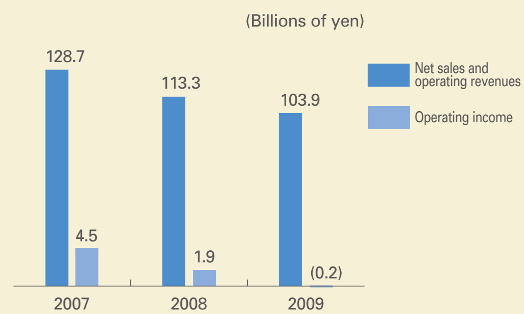
Lithium-ion batteries
Nickel-metal hydride batteries
Nickel-cadmium batteries
PV systems
Semiconductors
Electronic components
Optical pickups
Compressors



Other



Logistics
Maintenance



Notes:
1. For consolidated statements of operations, SANYO uses the single-step format (cost of sales and expenses are deducted from total revenue and no multiple-step income is shown). To be consistent with financial reporting principles and practices generally accepted in Japan, operating income (loss) in the segment information is calculated as net sales and operating revenue, less cost of sales and selling, general and administrative expenses.
2. SANYO's businesses are divided into "Consumer Business Segment," "Commercial Business Segment," "Component Business Segment," and "Other Business Segment" based on the similarity of product category, product characteristics, market, etc.
3. Net sales and operating revenue include inter-segment transactions.
4. Income/loss of the mobile phone business, which was regarded as discontinued operations during fiscal 2008, is excluded.

Performance (Fiscal years ended March 31)

(Billions of yen)

	2009	2008	2007
Net sales and operating revenues	**684.9**	761.2	684.5
Operating income (loss)	**(1.5)**	17.7	(8.6)
Assets	**347.0**	492.1	550.7
Capital expenditure	**12.1**	12.8	13.9
Depreciation and amortization	**16.0**	19.7	25.9
R&D expenses	**28.2**	22.3	22.1
Number of employees	**22,060**	29,302	26,984

Overview of Business Performance in Fiscal 2009

Net Sales and Operating Revenues:

Sales of imaging apparatus, such as digital cameras and projectors, and from home appliances, such as air conditioners, decreased due to slumping sales and falling prices amid the abrupt economic slowdown, resulting in a fall in revenue for the entire consumer business segment.

Operating Income:

The profitability of home appliances improved through an overhaul of the product lineup in Japan that placed priority on profitability. However, income from AV/information and communications equipment significantly dropped due to sluggish sales and falling prices, resulting in a fall in income for the entire consumer business segment.

(Billions of yen)

	2009	2008	2007
Net sales and operating revenues	**255.6**	264.1	275.4
Operating income	**5.3**	10.4	14.5
Assets	**169.2**	185.4	197.8
Capital expenditure	**4.9**	5.7	4.3
Depreciation and amortization	**5.1**	6.1	5.6
R&D expenses	**16.1**	18.5	18.5
Number of employees	**9,338**	7,630	6,926

Net Sales and Operating Revenues:

While sales of showcases and medical information systems increased, sales of commercial air conditioners decreased due to curbs in corporate capital investment amid the deteriorating economy, resulting in a fall in revenue for the entire commercial business segment.

Operating Income:

Showcases and medical information systems made steady progress. However, a fall in sales of commercial air conditioners significantly hurt overall earnings, resulting in a fall in income for the entire commercial business segment.

(Billions of yen)

	2009	2008	2007
Net sales and operating revenues	**814.7**	967.3	900.7
Operating income	**32.8**	77.3	67.6
Assets	**644.8**	815.8	841.0
Capital expenditure	**91.9**	58.9	53.6
Depreciation and amortization	**51.1**	52.8	49.6
R&D expenses	**29.4**	29.3	46.7
Number of employees	**48,320**	58,305	57,162

Net Sales and Operating Revenues:

In spite of overall businesses being affected by the rapidly deteriorating market, sales of PV systems and lithium-ion batteries increased due to favorable demand during the first half. Meanwhile, sales of semiconductors and electronic components significantly dropped, resulting in a fall in revenue for the entire component business segment.

Operating Income:

Income from the battery business slightly dropped and income from semiconductors and electronic components significantly dropped, resulting in a fall in income for the entire component business segment.

(Billions of yen)

	2009	2008	2007
Net sales and operating revenues	**103.9**	113.3	128.7
Operating income (loss)	**(0.2)**	1.9	4.5
Assets	**100.6**	96.9	144.7
Capital expenditure	**0.5**	0.7	0.7
Depreciation and amortization	**2.0**	3.0	2.3
R&D expenses	—	0.1	—
Number of employees	**4,400**	3,007	2,418

Net Sales and Operating Revenues:

In the logistics business, SANYO Electric Logistics Co., Ltd., a subsidiary, experienced a fall in revenue due to a decrease in cargo volume amid the worldwide economic slowdown, resulting in a fall in revenue for the entire business segment.

Operating Income:

Due to the flagging logistics business, there was a fall in income for the entire business segment.

Overview of Business Performance in Fiscal 2009 by Major Product

Consumer Business


Digital Movie Camera "Xacti" Series


Projector "LP-XW250"


Portable Navigation System "GORILLA"


Drum-type Washer/Dryer "AQUA" Series

Digital Cameras

The digital camera market expanded during the first half due to an increase in demand, primarily in emerging countries. However, in the second half, market inventory increased due to the deteriorating market condition amid the economic downturn, resulting in a continuous inventory adjustment phase. For SANYO, while sales volume of SANYO brand digital movie cameras increased, that of OEM models decreased, resulting in a fall in revenue.

TVs

While the demand for flat-panel TVs was steady in North America, which is our major TV marketplace, a price decline progressed due to the economic downturn. For SANYO, while sales volume of LCD TVs increased primarily in North America, there was a fall in revenue due to a drastic price decline and a decrease in sales of CRT-based TVs.

Projectors

The projector market, while annual sales volume increased, moved in low gear during the second half due to a fall in corporate demand amid the economic downturn. For SANYO, while sales volume remained the same as the previous year with steady sales for educational-use, there was a fall in revenue due to falling prices and exchange fluctuations.

Car Navigation Systems

Due to flagging new car sales, sales decreased in Japan, which is our major marketplace for car navigation systems. Meanwhile, the market scale for low-cost portable models expanded. In addition to increased sales of portable models, SANYO secured product orders for automobile manufacturers during the first half. However, due a decrease in car sales during the second half, annual sales remained the same as the previous year.

Home Appliances

The home appliances market was sluggish both in Japan and overseas due to the economic downturn. SANYO reviewed the distribution channels for air conditioners and refrigerators and the product lineup in Japan. Overseas sales were slow due to the economic downturn. As a result, there was a fall in revenue both in Japan and overseas, resulting in a fall in revenue for the entire home appliances business.

Commercial Business


Refrigerating Machine / Showcase

Cold-Chain Business (Showcases, Commercial Kitchen Equipment)

In the cold-chain market, while demand expanded in China during the first half, there was a fall in demand during the second half due to a drop in capital investments, primarily in the retail businesses, amid the economic downturn worldwide. In these sluggish market conditions, SANYO achieved an increase in revenue through securing product orders for distribution businesses in Japan and for supermarkets and convenience stores in Asia.

Commercial Air Conditioning Business

The commercial air conditioning market was flagging due to a decrease in construction demand with curbs in corporate capital investment amid the deteriorating economy. SANYO's commercial air conditioning business was also affected by the demand decline, resulting in a fall in revenue both in Japan and overseas.

Medical Information Systems

In the medical information systems business, which is operating in Japan, while there was a fall in sales of medical information systems due to the fall-off following the increased demand the previous year stimulated by legal revision, sales of electronic medical chart systems increased, primarily for new private practitioners and that from dispensing systems also increased due to an increase in demand related to preparation for the mandatory introduction of online medical fee billing, resulting in an increase in overall revenue.

Biomedical Equipment

In the biomedical equipment market, while there was an increase in demand both in Japan and overseas during the first half, that demand rapidly decreased during the second half due to the economic downturn. For SANYO, while areas related to regenerative medicine and cellular therapy made good progress in Japan, sales figures slightly decreased due to a fall in overseas revenue.

Commercial Business

Health Insurance Dispensing Pharmacy System

Rechargeable Batteries

In the rechargeable battery market, while there was an expanding demand for lithium-ion batteries during the first half, primarily due to the fast-growing notebook computer market, the demand for batteries slumped during the second half due to the rapidly slowing applications market amid the economic downturn. For SANYO, sales were steady during the first half with an increase in sales of lithium-ion batteries for notebook computers and mobile phones. However, sales decreased during the second half due to the flagging applications market, resulting in a fall in annual revenue.

PV Systems

The PV system market expanded, primarily in Europe. However, growth speed decreased during the second half due to the economic downturn and a lowering of the electric power selling rate based on the subsidy programs of various countries. SANYO expanded sales during the first half, primarily in Europe, which enabled an increase in annual revenue. However, there was a fall in revenue during the second half due to a fall in demand and exchange fluctuations.

Semiconductors

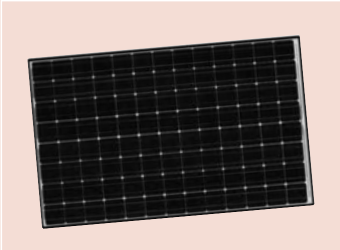
The semiconductor market registered negative growth due to the flagging electric appliances market amid the weakening economy during the second half. SANYO received fewer orders due to production adjustment made by electric appliance manufacturers, resulting in a substantial fall in revenue. This resulted in a heavy deficit, and structural reforms, such as posting of an impairment loss on fixed assets and personnel downsizing, were done accordingly.

Electronic Components (Capacitors, Motors, Optical Pickups, etc.)

In the electronic component market, there was a fall in demand due to the flagging market for electric appliances, such as mobile phones, PCs, and TVs, due to the economic downturn during the second half. For SANYO, sales drastically dropped due to falling prices, in addition to a fall in demand for components for use in notebook computers and mobile phones.

Component Business

Lithium-ion Batteries



HIT Solar Module

Capacitors

R&D / Intellectual Property

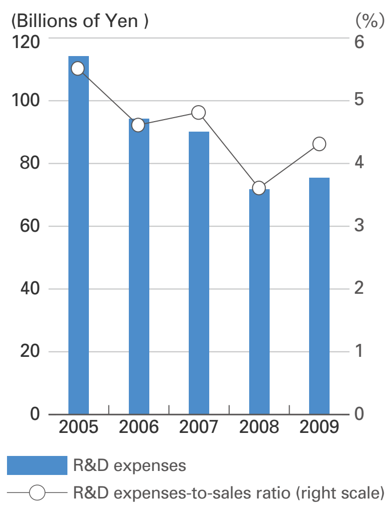
Within SANYO aiming to become a "leading company for energy and environment," the R&D H.Q. teams up with each business division to create products and offer solutions for the global arena through maximizing our proprietary technologies and power to create new ideas, for the business domains of "Energy" and "Ecology" and the "Electronics" business domain that sustains these. Further, SANYO formulates intellectual property portfolios for individual technologies in line with the business direction to collectively manage intellectual properties from R&D to business operations, thus facilitating sustained business growth.

R&D Activities

SANYO promotes selection and concentration in R&D activities to strengthen the competitive advantages of its core technologies. At the same time, SANYO strives to conduct efficient R&D through promoting across-the-board utilization of common basic technologies and collaborating with universities and research institutes in Japan and overseas.

For fiscal 2009, research and development expenses were up 5.1% from the previous year to ¥75.4 billion. Major activities included research and development of basic technologies related to next-generation rechargeable batteries and PV systems; environment-related technologies, such as water and air purification technologies represented by heat pump-based equipment using a natural refrigerant (CO_2) with zero ozone depletion potential, and "virus washer" products; and imaging technologies represented by our original QuaDrive new optical engine.

R&D Expenses (Fiscal years ended March 31)



Energy Business Domain

For lithium-ion batteries, SANYO is focusing on technology development of high-performance and high capacity models targeting the HEV market which is expected to rapidly expand both in Japan and overseas, as well as on those for mobile devices, such as mobile phones and notebook computers.

For PV systems, whose market is expected to expand globally, SANYO is advancing technology development for the HIT solar cell; capable of the world's highest* conversion efficiency among the existing crystalline silicon solar cells, with the aim of further improving conversion efficiency, lowering cost, and reducing resource use. In addition, SANYO is accelerating technology development of next-generation thin-film solar cells at the Advanced Photovoltaics Development Center established in April 2008.

Nickel-metal hydride HEV batteries capable of 1.3 times higher output power compared with conventional models

(* As of May 22, 2009)

Ecology Business Domain

With increasing environmental awareness worldwide, the replacement demand for commercial equipment, such as showcases and commercial air conditioners, that enable energy-saving and CO_2 emissions reduction is expected to increase. In line with this, SANYO is strengthening development of environment-related basic technologies, such as the CO_2 compressor. At the same time, SANYO is promoting development of "Eco Store System" to reduce energy use in a store like a supermarket and energy management technologies by combining a PV system with commercial equipment, etc.

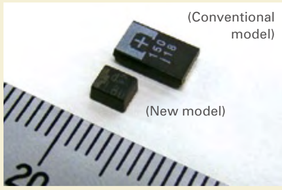
Further, SANYO is focusing on development of its original water/air purification technologies using electrolyzed water or ozone.

CO_2 heat pump heater/hot-water supply system for Europe, which is guaranteed to operate normally at an ambient temperature of -25°C

■Electronics Business Domain

As for semiconductors and electronic components, such as capacitors and optical pickups, SANYO is focusing on technology development to enhance product capabilities. At the same time, SANYO is promoting development of new devices to be a next-generation core business.

As for digital equipment, SANYO is working to advance its original digital technologies, such as image processing technologies for digital cameras and optical design technologies for projectors.



POSCAP (Tantalum Solid Capacitors with Conductive Polymer) with the mounting area being 1/3 compared to that of SANYO's conventional models

World's first projector incorporating the new QuaDrive optical engine

Intellectual Property Strategies

Intellectual property rights are registered rights for inventions and innovations realized through technology/product development activities. By legally protecting SANYO's product development technologies, revenue is secured and sustained business development is guaranteed. Thus, intellectual property rights are extremely important business assets.

For the respective business domains of "Energy," "Ecology," and "Electronics," SANYO is promoting the formulation and enhancement of its intellectual property portfolios by identifying inventions and registering their rights with emphasis on quality more than quantity.

In addition, SANYO is promoting its intellectual property strategies in step with individual business strategies and supporting business management through utilizing intellectual properties, such as using them to create differentiated products and licensing third parties to use them.

In line with its business directions, SANYO is strengthening activities to apply for patents and register their rights overseas, including the Unites States. At the same time, an inventory of patents held is taken on a regular basis and inactively-used patents are disposed of through sale, abandonment, etc. in a proactive manner, so that the soundness of patents as management assets can be maintained. As of the end of March 2009, SANYO owns approximately 12,600 patents in Japan and approximately 12,700 patents overseas.

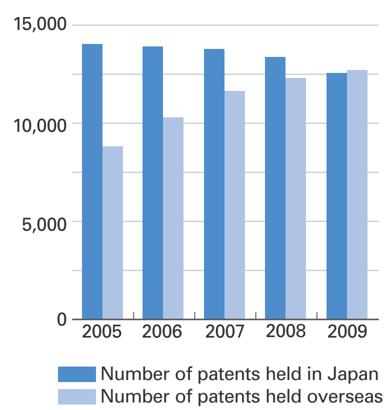
For SANYO, the United States is considered to be an important region, not only as a marketplace but also as a location where intellectual property-related disputes and lawsuits are frequent. SANYO now operates three intellectual property management bases in the United States after two new bases were added in April 2009. Under this structure, SANYO will strengthen its competitiveness by capitalizing on its intellectual properties to facilitate continuous growth. In 2008, the Company registered 446 patents in the United States.

Patent Registration Ranking of SANYO in USA
(Based on US Patent and Trademark Office data)

Registration Year	Ranking
2004	49
2005	47
2006	37
2007	39
2008	38

Further, to ensure the safety of consumers as well as protecting the SANYO brand, SANYO, in cooperation with the administrative bodies of various countries, is proactively acting to eliminate any counterfeit brand products and dealing with any cases where a business is using an unauthorized trade name similar to the SANYO brand.

Number of Patents Held (As of March 31)



Initiatives to Fulfill Corporate Social Responsibility (CSR)

SANYO's CSR Activities

The source of SANYO's CSR activities can be found in SANYO's management philosophy: "We are committed to becoming an indispensable element in the lives of people all over the world," and its Think GAIA brand vision. SANYO pursues its business activities from a sound management foundation while actively communicating with its stakeholders. The fulfillment of its social responsibilities lies in considering our planet in all its operation processes and minimizing its environmental impact to the highest degree possible, as well as in contributing to the sustainable development of society and the sustainable growth of the group.

Environmental Activities

Through its technologies, products, and businesses SANYO is contributing to solving environment and energy-related problems. Our aim is to advance our management and contribution to the environment simultaneously. In particular, considering the prevention of global warming as a top-priority issue, SANYO is aiming to become "Carbon Neutral*" in 2010 whereby the CO_2 emission control effect through use of its products equals the CO_2 emissions from its business activities, and then, "Carbon Minus*" whereby such control effect surpasses emissions.

As well as continuously providing products which can contribute to CO_2 emission control, such as PV systems, HEV rechargeable batteries, and eco-friendly commercial equipment, SANYO will strive to further improve energy efficiency through high efficiency energy use and production processes in line with its own goals for emission control of CO_2 and other greenhouse gases from business activities respectively set for domestic and worldwide operations. Further, SANYO will intensify risk management and contamination control through management of chemical substances used in products and business operations and soil contamination statuses, in accordance with the relevant laws and regulations that have been increasingly tightened in recent years, and at the same time, promote reduction and proper treatment of waste and product recycling. Thus, SANYO will strive to unfailingly fulfill its social responsibility.

In the manufacturing process, SANYO is intensively pursuing higher energy-saving performance and reduction of resource usage through downsizing and weight saving. To this end, SANYO has set in-house standards and is expanding the lineup of products created based thereon.

To promote and get across these initiatives globally, SANYO, as well as advancing construction of its environment management system, is performing progress management based on the target values set in the "Global Environmental Action Plan."

* "Carbon Neutral" and "Carbon Minus" are terms selected for use by SANYO.

Environmental Education "ECO EDUCATION PROGRAM for Elementary Schools"

SANYO is involved in environmental education using "eneloop" rechargeable batteries as the theme. In the environmental class, children participate in a practical "Reusing batteries" experience to learn about the importance of protecting the global environment, what 3Rs* activities are, and how rechargeable batteries are superior to other batteries. In order to support further dissemination of environmental education, in addition to instructors from SANYO visiting elementary schools to provide an environmental class, classroom materials are being provided free of charge to elementary schools, NPOs, and local governments where they are being actively used.

Further, SANYO started providing the environmental class for schools overseas through local group companies. With support from Japan, classes are being held, which match the educational styles in the countries concerned.

* 3Rs stands for Reduce, Reuse, and Recycle.

Environmental Class at Elementary School

Initiatives to Improve Quality

In order to create more satisfying products, SANYO promotes various initiatives, including not only ensuring the safety, reliability, usability, and basic performance of the products themselves, but also making easy-to-follow instruction manuals, proper warning labels, and product information materials, and helping users learn how to use a product.

For the purpose of improving the safety, reliability, and quality of products, the head office quality department evaluates activities of the respective facilities from an independent and objective standpoint and provides guidance accordingly. This facilitates effective operation of the quality management system and quality improvement activities. Further, recognizing that the basis of quality improvement lies in quality management training for employees, in-house study sessions are held to ensure compliance with the quality-related laws and regulations and creation of safe and reliable products.

Quality Training in China

For detailed information on SANYO's CSR, access the following website :

Environmental & Social Activities
http://sanyo.com/environment/en/

Corporate Governance

Basic Approach to Corporate Governance

SANYO believes that the improvement of corporate governance is essential for putting its management philosophy into practice and increasing corporate value. Therefore it is strengthening its internal control system based on sound management systems, and is striving for management transparency through suitable and timely information disclosure.

For SANYO, compliance is an important foundation for fulfilling its social responsibilities, and SANYO understands that thorough compliance is essential for the continuation of business activities. In addition to improving its own corporate governance, the Company is actively promoting compliance management throughout the Group. The SANYO Electric Group Principles of Conduct have been established as a policy that must be followed by all group executives and employees in their any corporate activities. It requires them to not only observe all relevant laws and in-house rules, but also to comply with a wide range of corporate ethics. A specific code of conduct has also been established in order to carry out the Principles of Conduct, and the group executives and employees have been made well aware of this code.

Governance System

Board of Directors

As of June 2009, the Board of Directors comprises nine directors, two of whom are outside directors.

The Company holds a regular monthly meeting of the Board of Directors. The resolution of certain important matters requires the approval of more than two-thirds of the total Board. To facilitate careful deliberation at such meetings and improve management efficiency, all members of the Board attend the Steering Committee meetings, which are held at least twice a month. The Steering Committee makes a preliminarily review of items on the agenda for the meeting of the Board of Directors, and makes decisions regarding fundamental and important subjects relating to certain business matters.

Board of Auditors

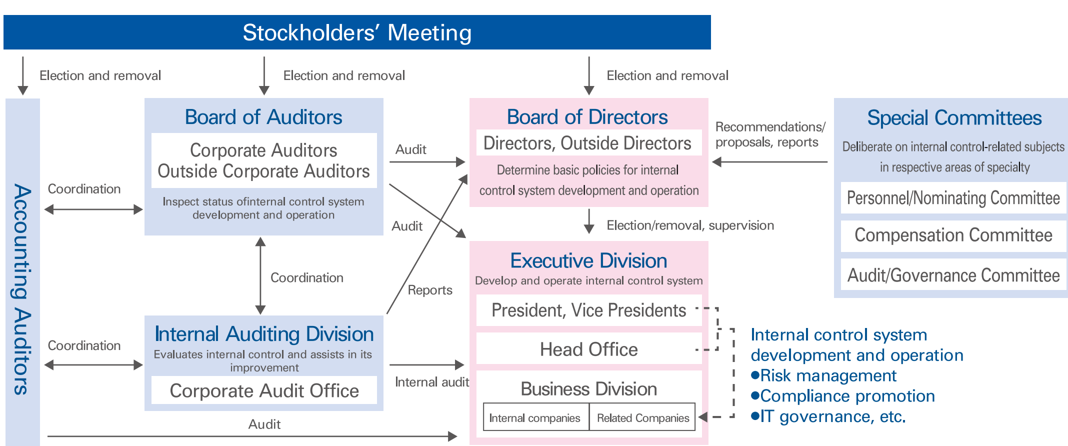
Based on the Companies Act of Japan, the Company has a Board of Auditors. As of June 2009, the Board of Auditors comprises three corporate auditors, two of whom are outside corporate auditors.

The Corporate Auditors of the Company attend Board of Directors' meetings and other important meetings, inspect important documents of decisions and receive reports from internal audit sections and other relevant parties. Through these activities, the Corporate Auditors stringently monitor the performance of the members of the Board of Directors. The Corporate Auditors also inquire into the auditing policies and plans of the accounting auditors, and receive reports and explanations on the results of audits whenever they are performed, so as to ensure mutual coordination with the accounting auditors. Further, the Company holds regular financial review meetings that are attended by the accounting auditors, the Corporate Auditors, and accounting and finance-related departments in order to share information and identify and resolve any accounting issues

Special Committees

The Company has three Special Committees: the Personnel/Nominating Committee, the Compensation Committee, and the Audit/Governance Committee. With the inclusion of members who are outside experts, these committees discuss specialized matters relating to internal control, make recommendations and prepare report for the Board of Directors.

Management System and Internal Control System



Risk Management

To prevent material risks from occurring that may have an impact on business operations and to minimize the damage should such a risk become apparent, it is necessary to analyze the possibility of risk occurrence and be able to take corrective actions quickly to handle any risk occurrence. In addition to compliance promotion, SANYO has placed importance on risk management for the improvement and strengthening of its internal control system. Integrated risk management is being implemented for the entire group including consolidated subsidiaries.

Risk Management System

SANYO has designated one vice president as Chief Supervisor, and has set up a group-wide risk management office that supports the Chief Supervisor, in order to conduct risk management throughout the Group.

In fiscal 2008, a risk management system in accordance with JISQ2001 (the Japan Industrial Standards guidelines for building risk management systems) was introduced on a trial basis. The system was introduced on a permanent basis throughout the Group during fiscal 2009. Specifically, risk management is performed systematically and continuously to facilitate identification, evaluation, handling, and reexamination of risks at each division, according to the SANYO Electric Group Risk Management Policy. Past risk and response cases, such as large-scale disasters, health and safety accidents, and product quality problems, are put into a group database and shared on a special intranet site. This is done in order to realize rapid and effective risk response while preventing similar disasters or accidents.

SANYO Electric Group Risk Management Policies

(Established May 2007)

1.Basic Purposes of Risk Management

Basic purposes of risk management are to continue business due to reduction of loss in management resources and rapid restoration at occurrence of an emergency event and to increase the corporate value, by making appropriate response to risks which may have a significant effect on the operation of business.

2.Action Guidelines of Risk Management

(1)To try to maintain safety and health of company members and preserve management resources

(2)Not to damage safety and health and interest of those who are concerned

(3)To try to make a rapid and appropriate restoration in the event where any management resources are damaged

(4)To take responsible actions complying with laws and regulations and generally accepted ideas in the event where any risk event occurs

(5)To raise the society's valuation of the company through continuous risk management activities

(6)To reflect social need regarding risk on risk management

Compliance

SANYO regards compliance (the observing of applicable laws and internal rules and the acting on ethics) as an important basis for continuity of business operations. We established the SANYO Electric Group Code of Conduct and Ethics, to be applied to our executives and employees working at SANYO in Japan and all over the world. The Code of Conduct and Ethics provides guidelines for day-to-day work and other corporate activities from the perspective of compliance.

Compliance Promotion System

We have established a compliance promotion system, led by the Chief Supervisor (President of the Company) and the Compliance Officer (selected from among vice presidents of the Company). In addition, Compliance Leaders appointed by the Head Office, each internal company and each headquarters play a central role in promoting compliance efforts. Compliance Leaders ensure adherence to the Code of Conduct and Ethics and prevent violation of laws and regulations.

Compliance Promotion in Key Areas

SANYO has designated key compliance areas that require group-wide commitment. These key areas include compliance with antitrust law, export control, personal information protection, product quality and health and safety. For each of these key areas we have developed internal rules, according to which management is exercised.

Compliance Hotlines

For early detection of and response to compliance-related issues, we have installed Compliance Hotlines inside and outside the Company, as service desks to receive inquiries from and offer consultations to our employees. The contents of inquiries from and consultations to employees are reported to Chief Supervisor and Compliance Officer, however, based on the guidance, measures such as investigation and assistance for improvement are forwarded.

For detailed information on SANYO's corporate governance, access the following websites:

Corporate Governance

http://sanyo.com/corporate/profile/governance.html

Compliance / Risk Management

http://sanyo.com/corporate/profile/compliance.html

Business Risks

SANYO is strengthening its risk management under the system established to identify/evaluate business-related risks and devise countermeasures accordingly to prevent or minimize possible losses. The major risk factors that may affect SANYO' s business results, stock prices, financial conditions, etc. are set out below.

All forward-looking statements included in this section are based on SANYO' s judgment as of March 31, 2009.

Business-related Risks

- Every SANYO product is designed and manufactured in accordance with the relevant laws, regulations and public standards in the country where the product is sold. However, it cannot be stated as fact that SANYO's future products will have no defects of any kind, and that no product recall will occur. Although SANYO carries product liability insurance and recall insurance, there is no assurance that any possible future liability claim or damages will be fully covered by such insurance. In the event of a large-scale product recall, major quality problem, or lawsuit against SANYO over product liability, the Company's brand creditworthiness may be degraded and the cost of compensation could adversely affect SANYO's business results.
- In the business areas where SANYO operates, market needs are changing quickly and technological innovation is advancing at a rapid pace. Existing products and services could rapidly become obsolete and lose marketability. SANYO is therefore making constant efforts to provide advanced and attractive products and services. However, if it fails to develop advanced technology or introduce new products and services into the market in an optimum manner, SANYO may not be able to remain competitive, and its business results and financial condition could deteriorate.
- SANYO is making efforts to create and protect intellectual properties. However, it may not be possible to entirely prevent third parties from illegally using intellectual property rights held by SANYO, such as using a similar trade names or manufacturing/selling similar products. Meanwhile, of products manufactured and marketed by SANYO, some are manufactured under license from other companies. There is the future possibility that necessary licenses will not be granted or unfavorable conditions could be attached to the granting of licenses. Furthermore, although SANYO pays the greatest attention to intellectual property rights held by third parties at the time of product development, it could face unforeseen litigation from third parties for infringement of intellectual property rights and suspension of export/import of the corresponding product.
- In recent years, various lawsuits have been filed over employee inventions and their attribution. SANYO has established its rules on employee inventions and makes necessary payments to relevant inventors in accordance with the rules. Nevertheless, there is a possibility that SANYO could be subject to payment of compensation resulting from lawsuits in connection with employee inventions.
- With regard to environmental problems, SANYO is making efforts to improve environmental management, including periodic audits and the promotion of green procurement. SANYO avoids using specified chemical substances for products and investigates soil and groundwater contamination. Nevertheless, supplier negligence, discoveries of pollution resulting from past activities, amendments to laws and regulations, and other factors could damage not only SANYO's performance, but also its credibility.
- SANYO closely investigates the credit standings of business customers before initiating transactions. However, in the event of contingent liability or other problems, SANYO may discontinue transactions with a business customer. If that happens, the supply of products or parts could be suspended temporarily, or SANYO could incur losses due to bad debt.
- SANYO establishes good business relationships with various business partners, and conducts smooth transactions with them on an ongoing basis. However, there is a possibility that extensive damage could be incurred by SANYO due to a problem, such as breach of contract by a business partner, which would lead SANYO to enter into an action against the business partner for the purpose of receiving compensation for the corresponding damage. At the same time, there is a possibility that damage could be incurred by a business partner or other relevant parties due to SANYO's negligence, which would cause SANYO to be responsible for reparations for the corresponding damage. In such cases, corresponding damage, cost of action, compensatory payment, and other related expenses could have a negative impact on SANYO's performance.
- Production and supply systems have become borderless and competitors are found worldwide. With the expanding technological capabilities and productivity of newly emerging countries, including South Korea, Taiwan and China, product prices are rapidly dropping. If product prices drop at a faster-than-expected pace and SANYO fails to maintain cost competitiveness, its business results could be adversely affected.
- SANYO uses various materials. There is a possibility that material prices could sharply climb, due to such factors as social conditions, unbalanced supply and demand, or speculative price manipulation. SANYO procures materials in accordance with a prescribed plan, but a sharp rise in materials prices could push the ratio of materials price up considerably. Although SANYO plans and takes necessary countermeasures, such as hedging against risk with forward contracts, etc. and cutting fixed costs, a rapid hike in material prices may disrupt such measures, and could have a negative impact on SANYO's performance.
- In addition to SANYO brand products, the Company produces a high proportion of certain products on an OEM basis. Additionally, components account for a large percentage of sales. Therefore, policy changes (such as second sources and cost cutting) at OEM purchasers or companies to which SANYO supplies components could cause a decrease in orders received, which may adversely affect SANYO's performance.
- SANYO promotes various types of alliances with other companies according to need, including technological collaboration, business cooperation and establishment of joint ventures in such areas as manufacturing, sales, and research and development. However, various circumstances could cause SANYO and a counterparty to terminate such a collaborative relation or fail to achieve substantial results. In such cases, SANYO's performance may be affected.
- From time to time SANYO obtains personal information and other information on customers, suppliers and other parties. Although SANYO

employs various measures to protect such information, it is impossible to guarantee that absolutely no leakage will occur. In the event of leakage of such information, SANYO's credibility may be undermined and liability for damages could be incurred. This could eventually have a negative impact on SANYO's business results.
- SANYO is making every effort to ensure compliance with laws and regulations and has strengthened internal controls for that purpose. However, if SANYO fails to accomplish said purpose, violation of laws, regulations or other rules may occur, which could affect SANYO's business results.

Labor related Risks

- SANYO places particular importance on employing and fostering capable personnel because adequate know how and knowledge are required to develop and produce its products. If SANYO fails to prevent existing employees from leaving the Group, or fails to hire capable personnel, its future growth and performance could be adversely affected.

Financial Risks

- A fall in stock prices due to rapid changes in market conditions and a drop in land prices could cause the value of assets held by SANYO to diminish.
- Rapid changes in interest rates may have a negative impact on SANYO's performance.
- A considerable proportion of the transactions carried out by SANYO are overseas transactions. Fluctuations in foreign exchange rates could therefore have a significant impact. Although SANYO is making efforts to hedge against such risk by such means as adjusting the proportion of overseas production, forward exchange contracts, etc., the related risk cannot be entirely eliminated. In the event of major exchange rate fluctuations in the future, SANYO's performance could be adversely affected.
- In a syndicated loan contract and a commitment line contract, the Company made a commitment to maintain its long-term issue rating at BBB- or above based on using the highest rating determined from among Rating and Investment Information, Inc. and Japan Credit Rating Agency, Ltd. In the event of the Company's failure to meet this commitment, at the request of majority lenders, the Company may lose its benefit of term with regard to obligations under the syndicated loan contracts, and the same right with regards to obligations under the commitment line contracts. In addition, all lenders' loan obligations may be extinguished.
- The Company issued preferred stocks in March 2006. Possible conversion of preferred stocks into common stocks in the future could cause dilution of the Company's common stocks and may impact its stock price.
- SANYO has adopted a retirement pension system that employs an external pension fund. Any drop in the value of pension assets due to deterioration in investment returns, or any increase in accumulated benefit obligations due to a drop in the discount rate, could lead to a rise in actuarial losses and an increase in retirement pension costs in the future.

Political, Economic and Social Risks

- SANYO has sales and production bases all over the world, thereby diversifying country risk. Nevertheless, sudden policy changes or economic fluctuations in such countries could cause SANYO to temporarily post losses or face problems in product supply.
- Infectious disease pandemics, terrorist attacks or other unexpected events could hinder transactions with the countries involved and have a negative impact on SANYO's performance.

Disaster and Accident-related Risks

- Regarding damage from natural disasters, SANYO has already taken countermeasures to minimize possible influences on relevant operations, after examining the cost effectiveness of such measures. However, a major natural disaster beyond the scope of assumption in an area of SANYO operations would inevitably cause damage and a halt in production, which could result in the loss of customer trust and deterioration in SANYO's performance.
- Antivirus software has been installed on every computer used by SANYO. Nevertheless, in the event of a computer virus attack, there is a possibility that certain SANYO facilities could suffer damage, possibly leading to interruption of some operations and delays in production and shipment.

Matters Concerning Capital and Business Alliance with Panasonic Corporation

- The Company expects that its capital and business alliance with Panasonic Corporation will further enhance the Company's corporate value and promote the interests of all stockholders. However, if regulatory approval cannot be obtained from some of the relevant countries for the public tender offer for the Company's stocks by Panasonic Corporation or any approval comes with an unfavorable condition that may have a material impact on the business operation of the Company and/or Panasonic Corporation, there is a possibility that the corresponding tender offer or the corresponding business alliance will not come to realization or the originally-expected advantages of the capital and business alliance cannot be achieved. Further, in response to the Company becoming a subsidiary of Panasonic Corporation, which is one of its competitors, or publicly announcing the policy related thereto, certain negative synergy effects may be created, such that the Company's customers react in a negative way, which could adversely affect the Company's management and business operation. The Company, at the current moment, expects that the impact of such possibly created negative synergy effects will be limited, and will take necessary measures from time to time to avoid or alleviate such negative synergy effects. Furthermore, there may be a case where the result of the above-mentioned tender offer leads to a conflict with the requisite for the Company's common stock to continue being listed. However, the Company and Panasonic Corporation endorse their mutually recognized policy of continuing to list the Company's common stock even after the completion of the above-mentioned tender offer, and have confirmed that should there be a conflict with the corresponding requisite the two companies will hold talks so as to avoid delisting of the Company's common stock.

Selected Financial Data

SANYO Electric Co., Ltd. and Subsidiaries As of and for the years ended March 31, 2009, 2008, 2007, 2006, and 2005

	Millions of Yen					Thousands of U.S. Dollars (Note a)
	2009	2008	2007	2006	2005	**2009**
For the year:						
Net sales	**¥ 1,770,656**	¥ 2,017,824	¥ 1,882,612	¥ 2,031,652	¥ 2,089,791	**$ 18,067,918**
Operating income (loss) (Notes b and c)	**8,276**	76,141	42,605	(35,905)	4,850	**84,449**
Income (loss) before income taxes and minority interests from continuing operations (Note c)	**(113,748)**	57,228	(16,084)	(182,032)	(96,140)	**(1,160,694)**
Net income (loss) from continuing operations (Note c)	**(122,158)**	39,148	(45,029)	(207,375)	(179,260)	**(1,246,510)**
Net income (loss) from discontinued operations (Note c)	**28,932**	(10,448)	(333)	1,714	7,716	**295,224**
Net income (loss)	**(93,226)**	28,700	(45,362)	(205,661)	(171,544)	**(951,286)**
Capital expenditures	**110,901**	79,527	73,316	67,103	95,233	**1,131,643**
Depreciation and amortization	**77,333**	84,558	86,564	120,961	118,434	**789,112**
At the year-end:						
Total stockholders' equity	**¥ 146,454**	¥ 308,043	¥ 312,008	¥ 402,892	¥ 288,268	**$ 1,494,429**
Total assets	**1,345,403**	1,683,837	1,970,940	2,154,837	2,600,677	**13,728,602**
Per share (Yen and U.S. dollars) (Notes c and d):						
Net income (loss) :						
Basic						
Net income (loss) from continuing operations	**¥ (19.9)**	¥ 6.4	¥ (72.6)	¥ (195.8)	¥ (96.6)	**$ (0.20)**
Net income (loss) from discontinued operations	**4.7**	(1.7)	(0.1)	0.8	4.1	**0.05**
Net income (loss)	**(15.2)**	4.7	(72.7)	(195.0)	(92.5)	**(0.15)**
Diluted						
Net income (loss) from continuing operations	**¥ (19.9)**	¥ 6.4	¥ (72.6)	¥ (195.8)	¥ (96.6)	**$ (0.20)**
Net income (loss) from discontinued operations	**4.7**	(1.7)	(0.1)	0.8	4.1	**0.05**
Net income (loss)	**(15.2)**	4.7	(72.7)	(195.0)	(92.5)	**(0.15)**
Cash dividends declared	—	—	—	—	3.0	—
Per American Depositary Share (Yen and U.S. dollars) (Notes c, d and e):						
Net income (loss)						
Basic						
Net income (loss) from continuing operations	**¥ (99.5)**	¥ 31.9	¥ (363.0)	¥ (979.0)	¥ (483.2)	**$ (1.01)**
Net income (loss) from discontinued operations	**23.6**	(8.5)	(0.3)	4.2	20.8	**0.24**
Net income (loss)	**(75.9)**	23.4	(363.3)	(974.8)	(462.4)	**(0.77)**
Diluted						
Net income (loss) from continuing operations	**¥ (99.5)**	¥ 31.9	¥ (363.0)	¥ (979.0)	¥ (483.2)	**$ (1.01)**
Net income (loss) from discontinued operations	**23.6**	(8.5)	(0.3)	4.2	20.8	**0.24**
Net income (loss)	**(75.9)**	23.4	(363.3)	(974.8)	(462.4)	**(0.77)**
Cash dividends declared	—	—	—	—	15.0	—
Weighted average number of shares (thousands) (Note d)	**1,855,386**	1,853,310	1,853,675	1,854,591	1,854,947	
Sales by product category :						
Consumer	**¥ 678,708**	¥ 756,690	¥ 676,876	¥ 781,391	¥ 833,321	**$ 6,925,592**
Commercial	**253,432**	262,507	270,553	234,962	212,842	**2,586,041**
Component	**804,930**	953,290	875,114	911,750	946,433	**8,213,571**
Others	**33,586**	45,337	60,069	103,549	97,195	**342,714**
Net sales	**¥ 1,770,656**	¥ 2,017,824	¥ 1,882,612	¥ 2,031,652	¥ 2,089,791	**$ 18,067,918**
Sales by area:						
Japan	**¥ 670,777**	¥ 742,528	¥ 782,012	¥ 975,597	¥ 1,034,825	**$ 6,844,663**
Asia	**608,469**	713,325	641,455	603,714	591,877	**6,208,867**
North America	**229,839**	258,860	221,425	207,378	208,618	**2,345,296**
Europe	**192,473**	239,156	182,014	183,018	178,991	**1,964,010**
Others	**69,098**	63,955	55,706	61,945	75,480	**705,082**
Net sales	**¥ 1,770,656**	¥ 2,017,824	¥ 1,882,612	¥ 2,031,652	¥ 2,089,791	**$ 18,067,918**
Other information:						
Price range of common stock						
(Tokyo Stock Exchange; Yen and U.S. dollars):						
High	**¥ 297**	¥ 241	¥ 324	¥ 363	¥ 545	**$ 3.03**
Low	**110**	120	148	237	330	**1.12**
Number of employees (at the year-end)	**86,016**	99,875	94,906	106,389	96,023	

Notes : (a) U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥98 = US$1, the approximate Tokyo foreign exchange market rate as of March 31, 2009. See Note 3 of Notes to Consolidated Financial Statements.

(b) To be consistent with financial reporting principles and practices generally accepted in Japan, operating income (loss) is calculated as net sales and operating revenue less cost of sales and selling, general and administrative expenses. The Company considers showing operating income (loss) convenient for investors to compare SANYO's financial results with those of other Japanese companies. Under accounting principles generally accepted in the United States of America, certain additional charges - for example, restructuring and impairment charges and abnormal product warranty costs - would be included in the determination of operating income (loss) in the consolidated statements of income.

(c) Due to a definitive agreement with Kyocera Corporation to sell its mobile phone business on January 21, 2008, SANYO shows its business results and profit or loss on sale independently as discontinued operations. Prior period results have been reclassified to conform to the 2008 presentation. In addition, due to the sale of SANYO Electric Credit Co., Ltd. on December 27, 2005, SANYO shows its business results and profit or loss on sale independently as discontinued operations. Prior period results have been reclassified to conform to the 2006 presentation.

(d) See Notes 2 and 22 of Notes to Consolidated Financial Statements.

(e) One American Depositary Share represents five shares of common stock.

Analysis of Major Factors Affecting Performance

1. OVERVIEW

During the fiscal year ended March 31, 2009 (fiscal 2009), the economic environment was generally steady during the first half of the year. However, the economic situation in the financial markets caused by the sub-prime loan crisis in the U.S. rippled through the economy, creating an unexpectedly rapid deceleration of the global economy, and now the world economy is showing signs of a global recession.

The electronics industry experienced extremely harsh conditions with a significant slump in sales during the second half of the year due to a reduction in corporate capital investments and a drastic decline in personal consumption. The difficult economic environment forced businesses to make massive production adjustments and implement further structural reforms.

Meanwhile, SANYO announced its new Mid-term Management Plan for the next three years, aiming to regain public trust and to establish the foundation for a highly profitable company, to become a leading company for energy and environment, and striving to strengthen its business base in terms of revenue and finance.

During fiscal 2009, the first year of the Mid-term Management Plan, SANYO implemented measures for profit growth over the next three years, such as up front investments in business areas with growth potential and for increasing cooperation with other companies.

- In the HEV (hybrid electric vehicle) lithium-ion battery business, SANYO entered into an agreement with Volkswagen Group of Germany to co-develop a next generation battery system. As well as addressing development and commercialization of a much more sophisticated system, a new commercial production line was completed and introduced. The implementation of these measures are expected to aid in future growth in the next fiscal period and beyond.
- In the photovoltaic systems business, to meet active demand, we have planned increases to production capacity by planning to build a new plant in Nishikinohama (Kaizuka City, Osaka, Japan), which is the solar cell production base of SANYO. We are also constructing a new plant for silicon ingots and wafers in Oregon, U.S.A. In addition, in January 2009, SANYO established a joint venture for the production of thin-film solar cells with Nippon Oil Corporation, which is a major energy company. Thin film solar cells market is expected to expand rapidly in the future, and the joint venture is aimed at realizing commercialization during fiscal 2011.
- In the commercial business segment, to expand business globally and in China in particular, SANYO invested in Dalian Bingshan Group Co., Ltd., which is a major commercial equipment manufacturer in China, and became the largest stockholder.

To make functional improvements, cost structure reforms were promoted through group-wide cost reduction activities. SANYO aims to create a management structure less susceptible to the impact of harsh external conditions such as a surge in raw materials costs and the ongoing appreciation of the yen. In this context, global level actions were taken, including the implementation of measures to directly lead to current period earnings improvements and to review existing systems and structures concerned.

As for the electric appliance buisinesses, there has been a strengthening of the market due to strong sales of waterproof digital movie camera models in "Xacti"series. As well, there has been strong sales for integrated store management systems under "Eco Store Systems", label, which are capable of overall energy saving through the uniform management of in-store equipment such as display showcases and air conditioners. These positive changes have resulted from initiatives to create structures which facilitate product developments based on market needs and through appropriate marketing efforts.

Efforts to strengthen the management structure were made to enhance profitability. However, the management and market environments in which the Company operates rapidly deteriorated during the second half of the fiscal year, which resulted in an unexpectedly harsh impact on SANYO's earnings.

For fiscal 2009, sales increased in the first half of the fiscal year based on the strong demand for solar cells and lithium-ion batteries. However, due to the rapid decline of market conditions in the second half of the year, sales, primarily from semiconductors, electronic components, and digital cameras have decreased drastically. This resulted in consolidated net sales decreasing by 12.2% from the prior year to ¥1,770.7 billion (US$18,068 million), while other operating revenue increased by 7.6% from the prior year to ¥70.5 billion (US$720 million).

On the profit front, operating income* decreased to ¥8.3 billion (US$84 million) due to a decrease in sales. The Company recorded an impairment loss on fixed assets related to the semiconductor business, which continues to experience a declining business environment. SANYO has

incurred increased expenses due to structural reforms to ensure profitability from the next period and going forward. Net income before income taxes and minority interests from continuing operations resulted in a loss of ¥113.7 billion (US$1,161 million) and net income for fiscal 2009 resulted in a loss of ¥93.2 billion (US$951 million) even through a gain was realized as a result of the sale of the mobile phone business.

Free cash flows drastically decreased from the previous year due to a downturn in business, resulting in a negative cash flows of ¥12.3 billion (US$126 million).

(*) For consistency with financial reporting principles generally accepted in Japan, operating income (loss) is calculated as net sales and other operating revenue less cost of sales and selling, general and administrative expenses. SANYO is showing operating income (loss), making it convenient for investors to compare SANYO's financial results with those of other Japanese companies. Under accounting principles generally accepted in the United States of America, certain additional charges such as, restructuring and impairment charges and abnormal product warranty costs are included in the consolidated statements of operations as part of operating income (loss).

2. NOTES IN THE FISCAL YEAR UNDER REVIEW

In December 2008, the Company and Panasonic Corporation entered into a Capital and Business Alliance Agreement on the premise that Panasonic Corporation will make the Company its subsidiary. This decision was made based on the judgment that in order for the Company to achieve strong growth as a "leading company for energy and environment" amid the increasingly fierce global competition, Panasonic Corporation will be an ideal partner and this alliance will create great synergy effects. Through collaboration and by utilizing the excellent know how and management resources of the two companies, the Company aims to maximize its corporate value to the benefit of all stakeholders.

Business Segments (Unaudited)

SANYO Electric Co., Ltd. and Subsidiaries Years ended March 31, 2009 and 2008

	2009							
	Billions of Yen							
	Net Sales and Operating Revenue			Operating Income	Assets	Depreciation and Amortization	Impairment	Capital Expenditure
	External	Intersegment	Total					
Consumer	¥ 680.4	¥ 4.5	¥ 684.9	¥ (1.5)	¥ 347.0	¥ 16.0	¥ 2.4	¥ 12.1
Commercial	252.9	2.7	255.6	5.3	169.2	5.1	0.8	4.9
Component	806.3	8.4	814.7	32.8	644.8	51.1	54.0	91.9
Others	101.6	2.3	103.9	(0.2)	100.6	2.0	0.1	0.5
Sub-total	1,841.2	17.9	1,859.1	36.4	1,261.6	74.2	57.3	109.4
Corporate and eliminations	—	(17.9)	(17.9)	(28.1)	83.8	3.1	0.5	1.5
Total	¥ 1,841.2	¥ —	¥ 1,841.2	¥ 8.3	¥ 1,345.4	¥ 77.3	¥ 57.8	¥ 110.9
	Millions of U.S. Dollars							
Consumer	$ 6,943	$ 46	$ 6,989	$ (15)	$ 3,541	$ 163	$ 25	$ 123
Commercial	2,580	28	2,608	54	1,726	52	8	50
Component	8,227	86	8,313	334	6,580	522	551	938
Others	1,037	23	1,060	(2)	1,026	20	1	5
Sub-total	18,787	183	18,970	371	12,873	757	585	1,116
Corporate and eliminations	—	(183)	(183)	(287)	856	32	5	16
Total	$ 18,787	$ —	$ 18,787	$ 84	$ 13,729	$ 789	$ 590	$ 1,132

	2008							
	Billions of Yen							
	Net Sales and Operating Revenue			Operating Income	Assets	Depreciation and Amortization	Impairment	Capital Expenditure
	External	Intersegment	Total					
Consumer	¥ 757.9	¥ 3.3	¥ 761.2	¥ 17.7	¥ 492.1	¥ 19.7	¥ 0.8	¥ 12.8
Commercial	262.5	1.6	264.1	10.4	185.4	6.1	2.5	5.7
Component	952.4	14.9	967.3	77.3	815.8	52.8	0.5	58.9
Others	110.6	2.7	113.3	1.9	96.9	3.0	0.1	0.7
Sub-total	2,083.4	22.5	2,105.9	107.3	1,590.2	81.6	3.9	78.1
Corporate and eliminations	—	(22.5)	(22.5)	(31.2)	93.6	3.0	0.9	1.4
Total	¥ 2,083.4	¥ —	¥ 2,083.4	¥ 76.1	¥ 1,683.8	¥ 84.6	¥ 4.8	¥ 79.5

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥98 = US$1, the approximate Tokyo foreign exchange market rate as of March 31, 2009.

Geographic Segments (Unaudited)

SANYO Electric Co., Ltd. and Subsidiaries   Years ended March 31, 2009 and 2008

	2009				
	Billions of Yen				
	Net Sales and Operating Revenue			Operating Income	Assets
	External	Intersegment	Total		
Japan	¥ 1,002.2	¥ 426.5	¥ 1,428.7	¥ 4.8	¥ 871.7
Asia	437.2	437.8	875.0	20.8	347.8
North America	213.9	8.5	222.4	4.4	100.6
Others	187.9	8.5	196.4	1.3	75.9
Sub-total	1,841.2	881.3	2,722.5	31.3	1,396.0
Corporate and eliminations	—	(881.3)	(881.3)	(23.0)	(50.6)
Total	¥ 1,841.2	¥ —	¥ 1,841.2	¥ 8.3	¥ 1,345.4
	Millions of U.S. Dollars				
Japan	$ 10,226	$ 4,353	$ 14,579	$ 49	$ 8,895
Asia	4,461	4,468	8,929	212	3,549
North America	2,183	86	2,269	45	1,027
Others	1,917	87	2,004	13	774
Sub-total	18,787	8,994	27,781	319	14,245
Corporate and eliminations	—	(8,994)	(8,994)	(235)	(516)
Total	$ 18,787	$ —	$ 18,787	$ 84	$ 13,729

	2008				
	Billions of Yen				
	Net Sales and Operating Revenue			Operating Income	Assets
	External	Intersegment	Total		
Japan	¥ 1,077.2	¥ 520.4	¥ 1,597.6	¥ 77.9	¥ 1,071.6
Asia	564.4	526.8	1,091.2	27.8	476.7
North America	240.8	8.1	248.9	4.5	124.8
Others	201.0	8.1	209.1	0.1	117.2
Sub-total	2,083.4	1,063.4	3,146.8	110.3	1,790.3
Corporate and eliminations	—	(1,063.4)	(1,063.4)	(34.2)	(106.5)
Total	¥ 2,083.4	¥ —	¥ 2,083.4	¥ 76.1	¥ 1,683.8

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥98 = US$1, the approximate Tokyo foreign exchange market rate as of March 31, 2009.

3. IMPACT OF EXCHANGE RATE FLUCTUATIONS

If the principal foreign currency denominated transactions were converted using the exchange rate applied for the previous fiscal year, net sales and operating revenue would decrease ¥79.2 billion (US$808 million), while operating income would decrease by ¥0.5 billion (US$5 million). These calculations are based on converting foreign-denominated accounts involving amounts in net sales, operating revenue, cost of sales, selling, general and administrative expenses converted at the average exchange rate on the Tokyo foreign exchange market for the previous fiscal year.

4. RESULTS OF OPERATIONS

Net Sales and Operating Revenue

Net sales for fiscal 2009 were down 12.2% from the previous year to ¥1,770.7 billion (US$18,068 million), while other operating revenue increased 7.6% from the previous year to ¥70.5 billion (US$720 million).

In the Consumer business segment, efforts were made to expand sales of SANYO brand digital cameras and a waterproof digital movie camera "Xacti DMX-CA8" gained in popularity. However, the flagging market during the second half of the fiscal period, seriously affected the flagship OEM business, resulting in a decrease in sales. Shipping volume of SANYO brand TVs increased with expansion of flat-screen TVs in the North American market. However, due to the price declines throughout the market, sales slightly decreased overall. While we promoted the portable model series "GORILLA" and strengthened products for automakers, sales of car navigation systems remained unchanged compared to last year because of a decrease of auto sales. Due to a reduction in corporate demand, sales of office-use projectors decreased. Among white goods, washing machines, including the washer/dryer "AQUA," made good progress in sales. However, overall sales decreased due to a reduction in revenues from refrigerators and air conditioners. Nevertheless, as a result of being proactive, such as reviewing the domestic product lineup by prioritizing profitability, profit-earning capacity has steadily increased.

As a result, net sales in the Consumer business segment were down 10.3% from the previous year to ¥678.7 billion (US$6,926 million).

In the Commercial business segment, sales of showcases showed steady growth in Asia, especially in China. In Japan, transport refrigerators for logistics services made strong progress. Meanwhile, sales of commercial air conditioners decreased both in Japan and overseas due to decreased capital investments caused by the economic downturn. In the medical systems business, sales increased due to a stronger demand for dispensing systems in preparation for the mandatory introduction of online medical fee billing and the steady growth of electronic medical chart systems primarily for new private practitioners. In the biomedical business area, strong progress was made domestically related to regenerative madicine and cellular therapy products. However, sales figures slightly decreased due to a reduction in overseas revenues. As a result, net sales in the Commercial business segment were down 3.5% from the previous year to ¥253.4 billion (US$2,586 million).

In the Component business segment, despite the rapidly declining demand in major products market such as mobile phone market during the second half of the fiscal year, sales of lithium-ion batteries increased due to the effect of active demand during the first half of the fiscal year. However, sales of nickel-cadmium batteries and nickel-metal hydride batteries drastically dropped due to a decline in demand of final products, resulting in a decrease in overall sales of rechargeable batteries. The photovoltaic systems business was also affected by the economic slowdown. However, due to strong sales in Europe during the first half of the fiscal year, there was an overall increase in sales. Sales of semiconductors and electronic components drastically decreased due to the rapid fall in demand during the second half of the fiscal year and price declines of products in the electronic equipment markets; such as mobile phones, personal computers, and TVs. As a result, net sales in the Component business segment were down 15.6% from the previous year to ¥804.9 billion (US$8,214 million). To ensure profitability from the next period onward, structural reforms with an emphasis on fixed cost reductions were implemented, primarily in the semiconductor business.

In the other business segment, the combined net sales were down 25.9% from the previous year to ¥33.6 billion (US$343 million).

Within total consolidated net sales, domestic sales were down 9.7% from the previous year to ¥670.8 billion (US$6,845 million), while overseas sales were down 13.8% from the previous year to ¥1,099.9 billion (US$11,223 million). As a result, the overseas sales ratio of consolidated net sales were down 1.1% from the previous year to 62.1%.

Cost of Sales, Selling, General and Administrative Expenses and Operating Income

Cost of sales for fiscal 2009 decreased ¥178 billion (US$1,816 million) from the previous year to ¥1,520.6 billion (US$15,516 million). The sales cost ratio was up 1.7% from the previous year to 85.9%, mainly due to decreased revenues.

Selling, general and administrative expenses increased ¥3.6 billion (US$37 million) from the previous year to ¥312.3 billion (US$3,187 million) due to the increase of price adjustments and royalties. The ratio of selling, general and administrative expenses to net sales increased 2.4% from the previous year to 17.6%.

As a result, due to an increase in selling, general and administrative expenses and a decrease in net sales, operating income decreased ¥67.9 billion (US$693 million) from the previous year to ¥8.3 billion (US$84 million).

Interest and dividend income, interest payment

For fiscal 2009, interest and dividend income amounted to ¥4.3 billion (US$44 million), decreasing ¥4.4 billion (US$45 million) from the previous year. While, interest payments amounted to ¥12.1 billion (US$124 million), decreasing ¥4.3 billion (US$44 million) from the previous year due to the reduction in debt and the repayment of corporate bonds.

Other Income (Expenses)

Net of other expenses amounted to ¥114.3 billion (US$1,166 million), increasing ¥103.0 billion (US$1,051 million) from the previous year. The increase is due to an impairment loss on fixed assets related to the semiconductor business and restructuring expenses related to business reorganization efforts to eusure future profitablity.

Net Income

Loss before income taxes and minority interests from continuing operations was ¥113.7 billion (US$1,161 million) for the year ended March 31, 2009 as compared with the previous fiscal year profit of ¥57.2 billion. Income taxes were ¥5.4 billion for the year ended March 31, 2009 as compared with the previous fiscal year taxes of ¥15.5 billion.

As a result, loss from continuing operations before minority interests amounted to ¥119.2 billion (US$1,216 million) for the year ended March 31, 2009 as compared with the previous fiscal year profit of ¥41.8 billion. Net loss from continuing operations

after minority interests amounted to ¥122.2 billion (US$1,247 million) as compared with the previous fiscal year profit of ¥39.1 billion. Adding net income from discontinued operations of ¥28.9 billion (US$295 million) as compared with the previous fiscal year loss of ¥10.4 billion. Net loss for fiscal 2009 totaled ¥93.2 billion (US$951 million) as compared with the previous fiscal year net income of ¥28.7 billion.

Net loss per share came to ¥15.2 (US$0.15) for fiscal 2009 compared with a net income per share of ¥4.7 for the previous year.

Information on Capital Resources and Cash Flows

1. FINANCIAL STRATEGIES

SANYO procures funds for working capital and capital investment by borrowing and issuing corporate bonds. Working capital is financed through short-term borrowing with maturities of one year or less, while long-term funds for production facilities and equipments are procured by long-term loans, straight bonds, and preferred stock issues. In addition, the Company concentrated the financing of its separate subsidiaries into the parent company for the purpose of stable funding and effective funds management. As of March 31, 2009, short-term borrowing (including the current portion of long-term liabilities) was down ¥76.1 billion (US$777 million) from the previous year, to ¥159.1 billion (US$1,624 million), while corporate bond issues and long-term loans increased ¥34.2 billion (US$349 million) to ¥305.3 billion (US$3,115 million).

2. FINANCIAL POSITION

Assets

As a result of the consolidated business performance described above, total assets as of March 31, 2009 came to ¥1,345.4 billion (US$13,729 million), down ¥338.4 billion (US$3,453 million) from the previous year.

Total current assets decreased ¥264.2 billion (US$2,696 million) to ¥829.7 billion (US$8,467 million), due to a ¥227.4 billion (US$2,320 million) decrease from the previous year in cash, notes and accounts receivable-trade, inventories, and assets held for-sale.

Investment and advances decreased ¥12.1 billion (US$123 million) to ¥65.5 billion (US$669 million) as a result of efforts to sell available-for sale securities.

Net property, plant and equipment declined ¥50.0 billion (US$510 million) to ¥393.6 billion (US$4,016 million), mainly due to an impairment loss on fixed assets.

Deferred income taxes non-current came to ¥11.0 billion (US$113 million), up ¥0.3 billion (US$3 million) from the end of the previous year.

Other assets came to ¥45.5 billion (US$464 million), down ¥12.5 billion (US$128 million) from the end of the previous year.

Liabilities and Stockholders' Equity

Total liabilities as of March 31, 2009 were ¥1,173.8 billion (US$11,978 million), a decline of ¥175.6 billion (US$1,792 million) from the previous year. The major factors in this decline included a total decrease in the combined balance of notes and accounts payable-trade, and liabilities held for sale of ¥155.7 billion (US$1,589 million) from the previous year. Total stockholders' equity decreased ¥161.6 billion (US$1,649 million) to ¥146.5 billion (US$1,494 million) mainly due to a ¥97.8 billion (US$998 million) decrease in retained earnings, and a decrease of ¥65.0 billion (US$663 million) in accumulated other comprehensive income. As a result, the stockholders' equity ratio decreased by 7.4% to 10.9% compared with the previous year.

3. CASH FLOWS

As of March 31, 2009, cash and cash equivalents amounted to ¥219.4 billion (US$2,239 million), down ¥61.3 billion (US$626 million) from the previous year, due to net loss and a decrease in interest-bearing debt.

Cash flows from operating activities decreased ¥96.6 billion (US$986 million), mainly due to net loss of ¥93.2 billion (US$951 million), resulting in net inflow of ¥10.2 billion (US$104 million).

Net cash used for investing activities decreased ¥13.7 billion (US$140 million), to ¥22.6 billion (US$231 million), mainly due to proceeds from sale of business to Kyocera Corporation.

Consequently, free cash flows based on operating activities and investing activities decreased ¥82.9 billion (US$846 million) from fiscal 2008, resulting in a net outflow of ¥12.3 billion (US$126 million).

Net cash used in financing activities decreased ¥64.2 billion (US$655 million), to ¥38.1 billion (US$389 million), mainly due to a decrease in repayments of interest-bearing debt.

4. ACQUISITION OF TREASURY STOCK

During fiscal 2009, our consolidated subsidiary sold 2,945,000 shares in the market, the Company acquired 565,235 shares to cover odd-lot purchases of less than one trading unit. As a result, the total treasury stock held at the end of fiscal 2009 was 16,526,796 shares.

Consolidated Statements of Operations

SANYO Electric Co., Ltd. and Subsidiaries Years ended March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars(Note 3)
	2009	2008	**2009**
Revenues:			
Net sales (Note 7)	¥ **1,770,656**	¥ 2,017,824	$ **18,067,918**
Other operating revenue	**70,511**	65,561	**719,500**
Interest and dividends	**4,343**	8,718	**44,316**
Other income (Note 23)	**18,391**	37,535	**187,664**
Total revenues	**1,863,901**	2,129,638	**19,019,398**
Costs and expenses (Note 21):			
Cost of sales (Note 7)	**1,520,583**	1,698,572	**15,516,153**
Selling, general and administrative	**312,308**	308,672	**3,186,816**
Interest	**12,107**	16,383	**123,541**
Other expenses (Note 23)	**132,651**	48,783	**1,353,582**
Total costs and expenses	**1,977,649**	2,072,410	**20,180,092**
Income (loss) before income taxes and minority interests from continuing operations	**(113,748)**	57,228	**(1,160,694)**
Provision for income taxes (Note 20):			
Current	**12,357**	11,324	**126,092**
Deferred	**(6,939)**	4,134	**(70,806)**
Income (loss) before minority interests from continuing operations	**(119,166)**	41,770	**(1,215,980)**
Minority interests	**2,992**	2,622	**30,530**
Net income (loss) from continuing operations	**(122,158)**	39,148	**(1,246,510)**
Discontinued operations (Note 4):			
Income (loss) before income taxes from discontinued operations	**32,535**	(9,919)	**331,990**
Provision for income taxes	**3,603**	529	**36,766**
Net income (loss) from discontinued operations	**28,932**	(10,448)	**295,224**
Net income (loss)	¥ **(93,226)**	¥ 28,700	$ **(951,286)**
	Yen		U.S. Dollars(Note 3)
Per share (Yen and U.S. dollars) (Note 22):			
Net income (loss) :			
Basic			
Net income (loss) from continuing operations	¥ **(19.9)**	¥ 6.4	$ **(0.20)**
Net income (loss) from discontinued operations	**4.7**	(1.7)	**0.05**
Net income (loss)	**(15.2)**	4.7	**(0.15)**
Diluted			
Net income (loss) from continuing operations	**(19.9)**	6.4	**(0.20)**
Net income (loss) from discontinued operations	**4.7**	(1.7)	**0.05**
Net income (loss)	**(15.2)**	4.7	**(0.15)**
Per American Depositary Share (Yen and U.S. dollars) :			
Net income (loss) :			
Basic			
Net income (loss) from continuing operations	¥ **(99.5)**	¥ 31.9	$ **(1.01)**
Net income (loss) from discontinued operations	**23,6**	(8.5)	**0.24**
Net income (loss)	**(75.9)**	23.4	**(0.77)**
Diluted			
Net income (loss) from continuing operations	**(99.5)**	31.9	**(1.01)**
Net income (loss) from discontinued operations	**23.6**	(8.5)	**0.24**
Net income (loss)	**(75.9)**	23.4	**(0.77)**
Weighted average number of common shares outstanding (thousands) (Note 22)	**1,855,386**	1,853,310	

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets

SANYO Electric Co., Ltd. and Subsidiaries March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars(Note 3)
Assets	**2009**	2008	**2009**
Current assets:			
Cash and cash equivalents:			
Cash	¥ **155,205**	¥ 204,237	$ **1,583,724**
Time deposits	**64,188**	76,469	**654,980**
	219,393	280,706	**2,238,704**
Securities (Note 8, 9 and 16)	**9**	2,188	**92**
Notes and accounts receivable:			
Trade (Note 5)	**284,806**	374,576	**2,906,184**
Affiliates (Note 7)	**25,247**	33,756	**257,622**
Allowance for doubtful accounts (Note 7)	**(7,508)**	(7,954)	**(76,612)**
Inventories (Note 6)	**254,474**	286,165	**2,596,673**
Deferred income taxes (Note 20)	**6,220**	6,687	**63,469**
Assets held for sale (Note 4)	—	56,908	—
Prepaid expenses and other (Note 9)	**47,104**	60,887	**480,654**
Total current assets	**829,745**	1,093,919	**8,466,786**
Investments and advances:			
Affiliates (Note 7)	**40,180**	46,877	**410,000**
Securities and other investments(Note 8, 9 and 16)	**25,339**	30,736	**258,561**
Total investments and advances	**65,519**	77,613	**668,561**
Property, plant and equipment (Notes 10 and 12):			
Buildings	**364,816**	382,416	**3,722,612**
Machinery and equipment	**729,161**	778,019	**7,440,419**
	1,093,977	1,160,435	**11,163,031**
Accumulated depreciation	**(814,344)**	(819,036)	**(8,309,633)**
	279,633	341,399	**2,853,398**
Land	**87,277**	90,663	**890,582**
Construction in progress	**26,703**	11,554	**272,479**
Net property, plant and equipment	**393,613**	443,616	**4,016,459**
Deferred income taxes (Note 20)	**11,032**	10,686	**112,571**
Other assets (Note 11)	**45,494**	58,003	**464,225**
Total assets	¥ **1,345,403**	¥ 1,683,837	$ **13,728,602**

See accompanying notes to consolidated financial statements.

Liabilities and Stockholders' Equity	Millions of Yen 2009	Millions of Yen 2008	Thousands of U.S. Dollars (Note 3) 2009
Current liabilities:			
Short-term borrowings (Note 12)	¥ **57,195**	¥ 166,570	$ **583,622**
Current portion of long-term debt (Note 12)	**101,924**	68,647	**1,040,041**
Notes and accounts payable:			
Trade	**243,761**	359,008	**2,487,357**
Affiliates	**5,058**	4,896	**51,612**
Construction	**48,288**	24,694	**492,735**
Accrued liabilities	**125,783**	148,274	**1,283,500**
Accrued income taxes	**5,723**	7,016	**58,398**
Liabilities held for sale (Note 4)	**—**	40,449	**—**
Other liabilities (Note 9, 13 and 20)	**44,248**	43,775	**451,510**
Total current liabilities	**631,980**	863,329	**6,448,775**
Long-term debt (Notes 12 and 16)	**305,272**	271,120	**3,115,020**
Accrued pension and severance costs (Note 13)	**222,305**	199,597	**2,268,418**
Deferred income taxes (Note 20)	**6,824**	8,961	**69,633**
Other non-current liabilities	**7,418**	6,393	**75,694**
Total liabilities	**1,173,799**	1,349,400	**11,977,540**
Minority interests in subsidiaries	**25,150**	26,394	**256,633**
Commitments and contingent liabilities (Note 15)			
Stockholders' equity:			
Common stock	**172,242**	172,242	**1,757,572**
Authorized (March 31, 2009 & 2008) : 7,060,300,000 shares			
Issued (March 31, 2009 & 2008) : 1,872,338,099 shares			
Preferred stock (Note 19)	**150,000**	150,000	**1,530,612**
Authorized (March 31, 2009)			
Class A : 182,600,000 shares			
Class B : 246,100,000 shares			
(March 31, 2008)			
Class A : 182,600,000 shares			
Class B : 246,100,000 shares			
Issued (March 31, 2009)			
Class A : 182,542,200 shares			
Class B : 246,029,300 shares			
(March 31, 2008)			
Class A : 182,542,200 shares			
Class B : 246,029,300 shares			
	322,242	322,242	**3,288,184**
Additional paid-in capital	**781,951**	781,951	**7,979,092**
Accumulated deficit	**(702,409)**	(604,626)	**(7,167,439)**
Accumulated other comprehensive loss	**(248,811)**	(183,828)	**(2,538,888)**
Less, treasury stock at cost:	**(6,519)**	(7,696)	**(66,520)**
2009-16,526,796 shares			
2008-19,230,255 shares			
Total stockholders' equity	**146,454**	308,043	**1,494,429**
Total liabilities and stockholders' equity	¥ **1,345,403**	¥ 1,683,837	$ **13,728,602**

Consolidated Statements of Stockholders' Equity

SANYO Electric Co., Ltd. and Subsidiaries Years ended March 31, 2009 and 2008

Millions of Yen, except share data

	Common Stock		Preferred Stock (Note 19)				Accumulated Other Comprehensive Income (Loss)					
	Number of Shares (Thousands)	Amount	Number of Shares (Thousands)	Amount	Additional Paid-in Capital	Accumulated (deficit) Retained Earnings	Net Unrealized Gains (Losses) on Securities	Foreign Currency Translation Adjustments	Pension Liability Adjustments	Total	Treasury Stock	Total Comprehensive Loss
Balance, March 31, 2007	1,872,338	¥ 172,242	428,572	¥ 150,000	¥ 781,951	¥(633,315)	¥ 16,592	¥ (39,647)	¥ (128,119)	¥ (151,174)	¥(7,696)	
Comprehensive loss :												
Net income						28,700						¥ 28,700
Other comprehensive income (loss):												
Net unrealized losses on securities (net of tax of ¥2,189 million) (Note 8)							(2,468)			(2,468)		(2,468)
Reclassification adjustments for net losses on securities realized in net income (net of tax of ¥1,780 million) ...							(10,499)			(10,499)		(10,499)
Foreign currency translation adjustments								(16,627)		(16,627)		(16,627)
Pension liability adjustments (net of tax of ¥40 million) (Note 13)									(3,060)	(3,060)		(3,060)
Total												¥ (3,954)
Purchase of treasury stock (442 thousand shares)											(79)	
Sale of treasury stock and other (48 thousand shares)											79	
Loss on disposal of treasury stock						(11)						
Balance, March 31, 2008	1,872,338	¥ 172,242	428,572	¥ 150,000	¥ 781,951	¥(604,626)	¥ 3,625	¥ (56,274)	¥ (131,179)	¥(183,828)	¥ (7,696)	

	Millions of Yen, except share data											
	Common stock		Preferred Stock (Note 19)				Accumulated Other Comprehensive Income (Loss)					
	Number of shares (Thousands)	Amount	Number of shares (Thousands)	Amount	Additional Paid-in Capital	Accumulated (deficit) retained earnings	Net Unrealized Gains (Losses) on Securities	Foreign Currency Translation Adjustments	Pension Liability Adjustments	Total	Treasury Stock	Total Comprehensive Loss
Balance, March 31, 2008	1,872,338	¥ 172,242	428,572	¥ 150,000	¥ 781,951	¥ (604,626)	¥ 3,625	¥ (56,274)	¥ (131,179)	¥ (183,828)	¥ (7,696)	
Comprehensive loss :												
Net loss						(93,226)						¥ (93,226)
Other comprehensive income (loss):												
Net unrealized losses on securities (net of tax of ¥1,758 million) (Note 8)							(4,310)			(4,310)		(4,310)
Reclassification adjustments for net losses on securities realized in net income (net of tax of ¥139 million)							203			203		203
Amount for the term of Foreign currency translation adjustments (net of tax of ¥2,147 million)								(33,391)		(33,391)		(33,391)
Gain due to sale or liquidation of overseas subsidiaries								1,395		1,395		1,395
Pension liability adjustments (net of tax of ¥1,418 million) (Note 13)									(21,376)	(21,376)		(21,376)
Total												¥ (150,705)
Effects of changing pension plan measurement date pursuant to SFAS No.158 (net of tax of ¥83 million)						(4,095)			(7,504)	(7,504)		
Purchase of treasury stock (565 thousand shares)											(104)	
Sale of treasury stock and other (3,269 thousand shares)											1,281	
Loss on disposal of treasury stock						(462)						
Balance, March 31, 2009	**1,872,338**	**¥ 172,242**	**428,572**	**¥ 150,000**	**¥ 781,951**	**¥ (702,409)**	**¥ (482)**	**¥ (88,270)**	**¥ (160,059)**	**¥ (248,811)**	**¥ (6,519)**	

	Thousands of U.S. Dollars (Note 3)											
Balance, March 31, 2008	1,872,338	$ 1,757,572	428,572	$ 1,530,612	$ 7,979,092	$ (6,169,653)	$ 36,990	$ (574,225)	$ (1,338,561)	$ (1,875,796)	$ (78,531)	
Comprehensive loss:												
Net loss						(951,286)						$ (951,286)
Other comprehensive income (loss):												
Net unrealized losses on securities (net of tax of $18 million) (Note 8)							(43,980)			(43,980)		(43,980)
Reclassification adjustments for net losses on securities realized in net income (net of tax of $1 million)							2,071			2,071		2,071
Amount for the term of Foreign currency translation adjustments (net of tax of $22 million)								(340,724)		(340,724)		(340,724)
Gain due to sale or liquidation of overseas subsidiaries								14,235		14,235		14,235
Pension liability adjustments (net of tax of $14 million) (Note 13)									(218,122)	(218,122)		(218,122)
Total												$ (1,537,806)
Effect of changing pension plan measurement date pursuant to SFAS No.158 (net of tax of $1 million)						(41,786)			(76,572)	(76,572)		
Purchase of treasury stock (565 thousand shares)											(1,061)	
Sale of treasury stock and other (3,269 thousand shares)											13,072	
Loss on disposal of treasury stock						(4,714)						
Balance, March 31, 2009	**1,872,338**	**$ 1,757,572**	**428,572**	**$ 1,530,612**	**$ 7,979,092**	**$ (7,167,439)**	**$ (4,919)**	**$ (900,714)**	**$ (1,633,255)**	**$ (2,538,888)**	**$ (66,520)**	

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

SANYO Electric Co., Ltd. and Subsidiaries Years ended March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2009	2008	**2009**
Cash flows from operating activities:			
Net income (loss)	**¥ (93,226)**	¥ 28,700	**$ (951,286)**
Adjustments to reconcile net income (loss) to net cash provided by operating activities			
Depreciation and amortization	**77,333**	90,808	**789,112**
Gain on sale of marketable securities and investment securities	**(429)**	(14,692)	**(4,378)**
Impairment loss on marketable securities and investment securities	**593**	100	**6,051**
(Gain) loss on disposal of fixed assets	**(235)**	1,849	**(2,398)**
Impairment loss on fixed assets	**57,775**	8,171	**589,541**
Provision for deferred income taxes	**(3,336)**	4,354	**(34,041)**
Equity in losses of affiliates	**(1,837)**	(3,230)	**(18,745)**
Change in assets and liabilities			
Decrease in notes and accounts receivable	**78,413**	34,634	**800,133**
Decrease in inventories	**16,396**	15,988	**167,306**
Decrease in prepaid expenses and other	**28,659**	292	**292,439**
Increase in other assets	**(11,458)**	(9,846)	**(116,918)**
Decrease in notes and accounts payable	**(100,546)**	(8,640)	**(1,025,980)**
Decrease in accrued income taxes	**(891)**	(1,199)	**(9,092)**
Decrease in accrued liabilities and other liabilities	**(24,973)**	(40,354)	**(254,827)**
Other, net	**(12,005)**	(100)	**(122,499)**
Total adjustments	**103,459**	78,135	**1,055,704**
Net cash provided by operating activities	**10,233**	106,835	**104,418**
Cash flows from investing activities:			
Purchase of available-for-sale securities	**(63)**	(1,708)	**(643)**
Purchase of held-to-maturity securities	**(7,553)**	(1,000)	**(77,071)**
Proceeds from sale of available-for-sale securities (Note 8)	**1,082**	39,858	**11,041**
Proceeds from redemption of held-to-maturity securities	**10,063**	801	**102,684**
Proceeds from sale of property, plant and equipment	**8,057**	9,071	**82,214**
Payments for purchase of property, plant and equipment	**(80,689)**	(79,259)	**(823,357)**
Decrease (increase) in time deposits	**12,050**	(2,020)	**122,959**
Payments for acquisition of subsidiaries	**(903)**	(253)	**(9,214)**
Proceeds from sale of subsidiaries	**547**	4,296	**5,582**
Proceeds from sale of business (Note 4)	**43,596**	—	**444,857**
Other, net	**(8,757)**	(6,051)	**(89,358)**
Net cash used in investing activities	**(22,570)**	(36,265)	**(230,306)**
Cash flows from financing activities:			
Decrease in short-term borrowings	**(100,087)**	(44,250)	**(1,021,296)**
Proceeds from issuance of long-term debt	**140,610**	2,886	**1,434,796**
Withdrawal from restricted cash	**—**	88,000	**—**
Repayments of long-term debt	**(78,485)**	(149,435)	**(800,867)**
Dividends paid	**(1,213)**	(749)	**(12,378)**
Sales (purchases) of treasury stock, net	**679**	(70)	**6,929**
Proceeds from minority stockholders on the issuance of new shares in a subsidiary	**378**	1,312	**3,857**
Net cash used in financing activities	**(38,118)**	(102,306)	**(388,959)**
Effect of exchange rate changes on cash and cash equivalents	**(10,858)**	(11,739)	**(110,796)**
Cash and cash equivalents included in assets held for sale (Note 4)	**—**	(10,505)	**—**
Net decrease in cash and cash equivalents	**(61,313)**	(53,980)	**(625,643)**
Cash and cash equivalents at beginning of year	**280,706**	334,686	**2,864,347**
Cash and cash equivalents at end of year	**¥ 219,393**	¥ 280,706	**$ 2,238,704**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

SANYO Electric Co., Ltd. and Subsidiaries

1 NATURE OF OPERATIONS

SANYO Electric Co., Ltd. and its subsidiaries (hereinafter collectively referred to as "SANYO") are engaged in development, manufacture and sales of electric products in the various locations around the world. SANYO operates in four business segments: "Consumer," "Commercial," "Component," and "Others." Fiscal 2009 net sales and other operating revenue comprised Consumer (37%), Commercial (14%), Component (44%), and Others (5%). The principal markets are in Japan, Asia, North America and Others, with sales and other operating revenue in each area representing 53% , 32% , 8% and 7%, respectively, for the year ended March 31, 2009. SANYO has manufacturing facilities located in more than 10 countries, principally in the Asian region, such as in Japan and China, as well as in North America and in Europe.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Principles

The accounting records of the Company and its domestic subsidiaries are maintained in accordance with accounting practices prevailing in Japan, its foreign subsidiaries in accordance with accounting practices prevailing in their respective domicile. The accompanying consolidated financial statements reflect the adjustments necessary for a presentation in accordance with generally accepted accounting principles in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the useful lives of fixed assets; allowances for doubtful accounts and sales returns; the valuation of derivatives, deferred tax assets, fixed assets, inventory, investments, notes receivable and share-based compensation; and reserves for employee benefit obligations, income tax uncertainties and other contingencies. The current economic environment has increased the degree of uncertainty inherent in those estimates and assumptions.

Consolidation and Investments in Affiliated Companies

The consolidated financial statements include the accounts of the Company and all subsidiaries. Investments in 20% to 50% held companies are carried at cost plus the equity in undistributed earnings, after elimination of unrealized intercompany profits.

In accordance with the Financial Accounting Standards Board (FASB) Interpretation No.46 (R), Consolidation of Variable Interest Entities (FIN 46R), the Company also consolidates any variable interest entities (VIE's) of which it is the primary beneficiary, as defined. When the Company does not have a controlling interest in an entity, but exerts a significant influence over the entity, the Company applies the equity method of accounting. All significant intercompany balances and transactions have been eliminated in consolidation.

Cash Equivalents

All highly liquid investments, including time deposits, purchased with original maturities of three months or less, are considered to be cash equivalents.

Investments in Debt and Equity Securities

Available-for-sale securities are carried at fair market value, with the unrealized holding gains and losses, net of tax, reported in other comprehensive income. Available-for-sale securities are reduced to net realizable value by a charge to earnings when there are other than temporary declines in fair value. For the purpose of computing realized gains and losses on securities sold, the cost of these securities is determined by the moving average method. Held-to-maturity securities are recorded at amortized cost. Securities that do not have readily determinable fair values are recorded at cost.

Translation of Foreign Currencies

Foreign currency assets and liabilities are translated at year end exchange rates and resulting exchange gains and losses are recognized in earnings currently. Assets and liabilities of foreign subsidiaries and affiliates accounted for on an equity basis are translated into yen at year end rates. Revenues and expenses are translated at the average rate of exchange prevailing for the period. Translation adjustments result from the process of translating foreign currency financial statements into yen and

are reported in accumulated other comprehensive income.

Allowances for Doubtful Accounts

SANYO maintains allowances for doubtful accounts for estimated losses inherent in its accounts receivable. SANYO's estimates of losses are based on various factors including the length of past due payments, historical experience and current business environments. In circumstances where it is aware of specific customers' inability to meet its financial obligations, a specific allowance against these amounts is provided considering the fair value of assets pledged by the customers as collateral.

Inventories

Inventories are stated at the lower of cost or market value. The cost of finished products and work in process is primarily determined by the average cost method. The first-in, first-out method is primarily used for raw materials.

Property, Plant and Equipment and Depreciation

Property, plant and equipment, including significant improvements and additions, are stated at cost. When retired or otherwise disposed of, the cost and related accumulated depreciation are cleared from the respective accounts, and the net difference, less any amounts realized on disposal, is reflected in income. Depreciation is principally computed using the declining balance method and are based on the asset's useful lives as follows:

Buildings ....5 to 50 years

Machinery and equipment ....2 to 20 years

Maintenance and repairs, including minor replacements and improvements, are charged to income as incurred.

Goodwill and Other Intangible Assets

Goodwill arising from business acquisition and intangible assets with indefinite useful lives are not amortized but are tested for impairment at least annually, and whenever events or changes in circumstances indicate the possibility of impairment. The fair value of these assets is generally estimated using a discounted cash flows analysis. Intangible assets with definite useful lives are amortized on a straight line basis over their estimated useful lives, being mainly 5 years.

Impairment of Long-Lived Assets

SANYO applies Statement of Financial Accounting Standards ("SFAS") No.144, "Accounting for the Impairment or Disposal of Long-Lived Assets". In accordance with SFAS No.144, SANYO's long-lived assets and amortizable intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If it is determined that an impairment loss has occurred, a loss calculated as the difference between the carrying amount and the fair value is recognized in the period.

Advertising Costs

Advertising costs are expensed as incurred.

Research and Development Costs

Research and development costs are expensed as incurred.

Provision for Product Warranty Costs

Provision for product warranty costs is established based on actual results at the time the revenue is recognized. This provision for product warranty is provided for specific periods of time and usage of the product depending on the nature of the products, the geographic location of its sale and other relevant factors. SANYO recognizes provision for product warranty costs based on historical experience of actual warranty costs.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred income taxes reflect the expected future tax consequences of differences between the tax bases of assets and liabilities and the financial reporting amounts at the fiscal year-end. Deferred income tax assets and liabilities are measured by using currently enacted tax rates, and the effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that the change is enacted. Beginning with the adoption of FASB Interpretation No.48, "Accounting for Uncertainty in Income Taxes (FIN 48)" as of April 1, 2007, the Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. Prior to the adoption of FIN 48, the Company recognized the effect of income tax positions only if such positions were probable of being sustained. Interest and penalties related to income taxes are included in provision for income taxes in the consolidated statements of operations.

Derivatives

SANYO utilizes derivatives to manage the risk of changes in for-

eign currency exchange rates and interest rates. The derivatives SANYO utilizes are mainly foreign currency exchange contracts, interest rate swaps, foreign currency swaps and foreign currency options. As a matter of policy, SANYO does not enter into derivative contract for trading or speculative purposes. SANYO applies SFAS No.133, "Accounting for Derivative Instruments and Hedging Activities," as amended. SANYO recognizes principally all derivatives as either assets or liabilities in the balance sheet and measures these instruments at fair value. The change in the fair value of a derivative that does not qualify for hedge accounting is recognized in earnings in the period of the change. If the derivatives are designated and qualify as cash flow hedges, changes in fair value are first recorded in other comprehensive income or loss, and then reclassified into earnings in the periods during which the hedged item affects earnings. SANYO formally documents hedging risk management objectives and strategies and relationships between the hedging instruments and the hedged items.

Stock-Based Compensation

SFAS No.123 (revised 2004) "Accounting for Stock-Based Compensation"("SFAS 123(R)") requires recognition of the cost of employee services in exchange for the award of equity instruments (including stock options) based on the grant-date fair value of the award, with limited exceptions. That cost is recognized over the period during which an employee is required to provide service in exchange for the award.

Dividends and Net Income per Share and per American Depositary Share

Cash dividends declared subsequent to the balance sheet date and designated as applicable to earnings of the period are accrued and charged to retained earnings as of the balance sheet date. Basic income per share is computed by dividing net income by the weighted average number of common stock outstanding during each period. The calculation of diluted income per share takes into account the dilutive effect of stock options. Dividends and net income per American Depositary Share are computed on the basis of each American Depositary Share representing five shares of common stock. The calculation of basic and diluted income per share is presented in Note 22.

Revenue Recognition

SANYO recognizes revenue when delivery has occurred, title and risk of loss have been transferred to the customer or services have been rendered, the sales price is fixed or determinable, persuasive evidence of an arrangement exists, and the collectability of the resulting receivable is reasonably assured.

The Company accounts for sales incentives as a reduction of revenue, in accordance with Emerging Issues Task Force ("EITF") Issue No.01-9, "Accounting for Consideration Given by a Vendor to a Customer or Reseller of the Vendor's Products".

Taxes collected from customers and remitted to governmental authorities are excluded from revenues in the consolidated statements of operations.

Reclassifications

Certain reclassifications of comparative period have been made to the consolidated financial statements for the years ended March 31, 2008 to conform with the current year presentation.

Discontinued Operations

Throughout the notes to consolidated financial statements, the amounts of discontinued operations related to consolidated statements of operations have been excluded from past years, unless indicated otherwise.

Recently Adopted Accounting Standards

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No.157 "Fair Value Measurements," which has been adopted by SANYO, in the first quarter beginning on April 1, 2008. Adoption of SFAS No.157 has no material impact on SANYO's consolidated results of operations and financial position. FASB Staff Position ("FSP") FAS 157-2, "Effective Date of FASB Statement No. 157," delays the effective date of SFAS 157 until fiscal years beginning after November 15, 2008 for all nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a nonrecurring basis.

In September 2006, FASB issued SFAS No.158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No.87, 88, 106, and 132(R)." SANYO has adopted the measurement date provisions effective April 1, 2008. Due to this adoption, in the consolidated balance sheet as of the beginning of fiscal 2009, the accumulated deficit increased by ¥4,095 million (US$ 41,786 thousand) and the pension liability adjustments included in the accumulated other comprehensive income (loss) decreased by ¥7,504 million (US$ 76,571 thousand).

In February 2007, FASB issued SFAS No.159, "The Fair Value Option for Financial Assets and Financial Liabilities - including an amendment of FASB Statement No.115," which SANYO

has adopted in the first quarter beginning on April 1, 2008. Adoption of SFAS No.159 has no material impact on SANYO's consolidated results of operations and financial position.

In March 2008, FASB issued SFAS No.161, "Disclosures about Derivative Instruments and Hedging Activities, An amendment of FASB Statement No.133", which SANYO has adopted in the fourth quarter beginning on January 1, 2009. SFAS No.161 requires to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS No.133, "Accounting for Derivative Instruments and Hedging Activities" and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position and results of operations. Adoption of SFAS No.161 has no material impact on SANYO's consolidated results of operations and financial position as it is disclosure only in nature.

New Accounting Pronouncements

In December 2007, the FASB issued FASB Statement No.141(R), "Business Combinations" ("SFAS 141(R)") and FASB Statement No.160, "Noncontrolling Interests in Consolidated Financial Statements – an amendment to ARB No.51" ("SFAS 160"). SFAS 141(R) and 160 require most identifiable assets, liabilities, noncontrolling interests, and goodwill acquired in a business combination to be recorded at "full fair value" and require noncontrolling interests (previously referred to as minority interests) to be reported as a component of equity. This changes the accounting for transactions with noncontrolling interest holders. Both Statements are effective for periods beginning on or after November 15, 2008, and is required to be adopted by SANYO in the first quarter beginning April 1, 2009. SFAS 141(R) will be applied to business combinations occurring after the effective date. SFAS160 will be applied prospectively to all noncontrolling interests, including any that arose before the effective date. SANYO is currently evaluating the effect of adoption of SFAS 141(R) and SFAS 160 on its consolidated results of operations and financial position.

In December 2008, the FASB issued "FSP" FAS No.132(R)-1, "Employers' Disclosures about Postretirement Benefit Plan Assets" ("FSP 132(R)-1"). FSP 132(R)-1 requires additional disclosures about plan assets including investment allocation, fair value of major categories of plan assets, development of fair value measurements, and concentrations of risk. FSP 132(R)-1 is effective for fiscal years ending after December 15, 2009 and is required to be adopted by SANYO in the year ending March 31, 2010. SANYO is currently evaluating the impact of the FSP 132(R) on its disclosures about plan assets.

3 UNITED STATES DOLLAR AMOUNTS

The U.S. dollar amounts included in the consolidated financial statements and notes thereto for the year ended March 31, 2009 represent the arithmetical results of translating yen to dollars on the basis of ¥98 = US$1, the approximate exchange rate at March 31, 2009.

The inclusion of such dollar amounts is solely for convenience and is not intended to imply that assets and liabilities have been or could be readily converted, realized or settled in dollars at ¥98 = US$1 or at any other rate.

4 DISCONTINUED OPERATIONS

To accelerate emphasis and concentration of investments based on the group-wide strategies, on January 21, 2008 SANYO entered into a definitive agreement with Kyocera Corporation to sell its mobile phone business. The sale of the business unit to Kyocera Corporation was completed by way of a spin-off on April 1, 2008. The consideration for the sale of the business was ¥43,671 million (US$445,622 thousand), and the gain from the sale of the business was ¥33,695 million (US$343,827 thousand).

In accordance with SFAS No.144, operating results of its mobile phone business are presented separately as discontinued operations in the consolidated statements of operations. The cash flows attributable to the discontinued operations are not presented separately from the cash flows attributable to the continuing operations in the consolidated statements of cash flows. In addition, gain from the sale of the business is included in ¥43,596 milion (US$444,857 thousand) of proceeds from sale of business in the consolidated statements of cash flows.

A summary of selected financial data for the discontinued operations for the year ended March 31, 2009 and 2008 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Total revenues	¥ 6,095	¥ 213,818	$ 62,194
Costs and expenses	6,166	224,141	62,918
Income (loss) before income taxes from discontinued operations	32,535	(9,919)	331,990
Provision for income taxes from discontinued operations	3,603	529	36,766
Net income (loss) from discontinued operations	28,932	(10,448)	295,224

A summary of assets held for sale and liabilities held for sale at March 31, 2009 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
Assets held for sale	2009	2008	2009
Cash and cash equivalents	¥ —	¥ 10,505	$ —
Notes and accounts receivable	—	15,695	—
Inventories	—	12,716	—
Property, plant and equipment	—	11,466	—
Others	—	6,526	—
Total	¥ —	¥ 56,908	$ —

	Millions of Yen		Thousands of U.S. Dollars
Liabilities held for sale	2009	2008	2009
Notes and accounts payable	¥ —	¥ 23,250	$ —
Accrued liabilities	—	12,984	—
Others	—	4,215	—
Total	¥ —	¥ 40,449	$ —

5 SECURITIZATION OF TRADE RECEIVABLE

For the financial years ended March 31, 2009 and 2008, SANYO sold trade receivables mainly to a trust bank which securitized these receivables.

In these securitizations, SANYO retained certain servicing responsibilities. No servicing asset or liability has been recorded because the estimated cost of servicing the receivables approximate market servicing fees.

In addition, SANYO retained subordinated interests which amounted to ¥3,026 million (US$30,878 thousand) and ¥2,794 million as of March 31, 2009 and 2008, respectively. During the years ended March 31, 2009 and 2008, proceeds from the sale of trade receivables were ¥139,472 million (US$1,423,184 thousand) and ¥91,472 million, respectively, and losses recognized from the sale of trade receivables were ¥323 million (US$3,296 thousand) and ¥188 million, respectively.

6 INVENTORIES

Inventories at March 31, 2009 and 2008 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Finished products	**¥ 141,041**	¥ 148,337	**$ 1,439,193**
Work in process	**39,125**	49,363	**399,235**
Raw materials	**74,308**	88,465	**758,245**
Total	**¥ 254,474**	¥ 286,165	**$ 2,596,673**

7 INVESTMENTS AND ADVANCES

Summarized financial information for affiliates accounted for under the equity method are as follows:

At March 31, 2009, the principal affiliates are NTT DATA SANYO SYSTEM CORPORATION, SANYO ELECTRIC (TAIWAN) Co., Ltd and Dalian Bingshan Group Co., Ltd. in which the Company has a 50.0%, 46.6%, and 30.0% equity interest, respectively.

During fiscal 2009, the Company acquired 30% of equity interest in Dalian Bingshan Group Co., Ltd by investing ¥3,557 million (US$36,296 thousand).

The carring value of the investment in affiliates exceeded ¥2,448 million (US$24,980 thousand) of SANYO's equity in the underlying net assets by ¥1,109 million (US$11,316 thousand).

The excess is attributed primarily to the goodwill.

	Millions of Yen				Thousands of U.S. Dollars	
At March 31, 2009 and 2008		2009		2008		2009
Current assets	¥	144,856	¥	210,128	$	1,478,123
Noncurrent assets		66,802		77,988		681,653
Total assets		211,658		288,116		2,159,776
Current liabilities		101,137		145,026		1,032,010
Noncurrent liabilities		13,537		19,384		138,133
Total liabilities		114,674		164,410		1,170,143
Net assets	¥	96,984	¥	123,706	$	989,633
Company's equity in net assets		38,706		46,060		394,959
Investments in affiliates	¥	39,818	¥	46,094	$	406,306
Advances to affiliates		1,508		1,403		15,388
Allowance for doubtful accounts in affiliates		(480)		(620)		(4,898)

	Millions of Yen				Thousands of U.S. Dollars	
Years ended March 31, 2009 and 2008		2009		2008		2009
Results of operations:						
Net sales	¥	326,227	¥	409,621	$	3,328,847
Net income		4,703		3,666		47,990
Equity in affiliates:						
Net income	¥	1,837	¥	3,017	$	18,745
Cash dividends		1,794		1,990		18,306
Transactions with affiliates:						
Sales to	¥	110,453	¥	122,411	$	1,127,071
Purchases from		38,864		41,180		396,571
Number of affiliated companies at March 31						
In Japan		25		30		
Outside Japan (Note a)		29		30		
Total		54		60		

Note:(a) Number of affiliated companies at March 31,2008, includes an affiliate which was discontinued (refer Note 4)

The aggregate carrying amount and market value of investments in affiliates for which a quoted market price is available as at March 31, 2009 and 2008 are as follows:

	Millions of Yen				Thousands of U.S. Dollars	
		2009		2008		2009
Carrying amount	¥	9,202	¥	11,947	$	93,898
Market value		25,865		32,611		263,929

8 INVESTMENTS IN DEBT AND EQUITY SECURITIES

Investments in debt and equity securities included in securities (current assets) and securities and other investments (non-current assets) at March 31, 2009 and 2008 are summarized as follows:

	Millions of Yen							
	2009				2008			
	Carrying Amount	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Amount	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
Available-for-sale:								
Equity securities	¥ 11,443	¥ 10,961	¥ 658	¥ 1,140	¥ 14,170	¥ 19,023	¥ 6,102	¥ 1,249
	11,443	10,961	658	1,140	14,170	19,023	6,102	1,249
Held-to-maturity:								
Debt securities	2,423	1,989	—	434	5,656	5,492	9	173
	2,423	1,989	—	434	5,656	5,492	9	173
Total investments in debt and equity securities	¥ 13,866	¥ 12,950	¥ 658	¥ 1,574	¥ 19,826	¥ 24,515	¥ 6,111	¥ 1,422

	Thousands of U.S. Dollars			
	2009			
	Carrying Amount	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
Available-for-sale:				
Equity securities	$ 116,766	$ 111,847	$ 6,713	$ 11,632
	116,766	111,847	6,713	11,632
Held-to-maturity:				
Debt securities	24,725	20,296	—	4,429
	24,725	20,296	—	4,429
Total investments in debt and equity securities	$ 141,491	$ 132,143	$ 6,713	$ 16,061

Contractual maturities of investments in debt securities classified as held-to-maturity securities at March 31, 2009 and 2008 are summarized as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	2009		2008		2009	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due within 1 year	¥ —	¥ —	¥ 2,004	¥ 2,004	$ —	$ —
Due after 1 year through 5 years	50	50	50	50	510	510
Due after 5 years	2,373	1,939	3,602	3,438	24,215	19,786
	¥ 2,423	¥ 1,989	¥ 5,656	¥ 5,492	$ 24,725	$ 20,296

Proceeds from the sale of available-for-sale securities for the years ended March 31, 2009 and 2008 were ¥1,082 million (US$11,041 thousand) and ¥39,858 million, respectively. The gross realized gains on those sales was ¥4 million (US$41 thousand) for the year ended March 31, 2009. The gross realized gains and losses on those sales were ¥12,649 million and ¥82 million, respectively, for the year ended March 31, 2008.

Gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at March 31, 2009 are as follows:

	Millions of Yen				Thousands of U.S. Dollars			
	Less than 12 Months		12 Months or More		Less than 12 Months		12 Months or More	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available-for-sale:								
Equity securities	¥ 3,384	¥ 1,140	¥ —	¥ —	$ 34,530	$ 11,632	$ —	$ —
	3,384	1,140	—	—	34,530	11,632	—	—
Held-to-maturity:								
Debt securities	479	21	1,387	413	4,888	215	14,153	4,214
	479	21	1,387	413	4,888	215	14,153	4,214
Total investments in debt and equity securities	¥ 3,863	¥1,161	¥ 1,387	¥ 413	$ 39,418	$ 11,847	$ 14,153	$ 4,214

When fair value remains continuously below the acquisition cost over a certain period of time and recovery in relatively short period of time is not expected, the impairment in fair value is judged as other than temporary and an impairment loss is recognized to have occurred. However, for held-to-maturity securities, other factors are examined, such as whether the Company has both the will and ability to hold the securities over a period long enough so that recovery of fair value can be expected.

For fiscal 2008, SANYO recorded ¥474 million (US$4,837 thousand) as impairment loss.

As of March 31, 2009, the table above includes 37 securities that are available-for-sale and 3 securities that have been designated as held-to-maturity for which unrealized losses were recorded. The managment concluded that the gross unrealized losses are not considered other-than-temporary impaired.

The aggregate cost of non-marketable equity securities accounted for using the cost method totaled ¥6,365 million (US$64,949 thousand) and ¥3,982 million at March 31, 2009 and 2008, respectively. The company estimated that the fair value exceeded the carrying amounts of non-marketable equity securities.

9 FAIR VALUE MEASUREMENTS

According to SFAS No. 157, fair value is defined as either the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS No.157 establishes a 3-level fair value hierarchy as shown below based on the quality of inputs used to measure fair value in terms of the degree of objectivity applied.

Level 1 ... Level 1 inputs are unadjusted quoted market prices in active markets for identical assets and liabilities

Level 2 ... Level 2 inputs include:

1) quoted prices for similar assets or liabilities in active markets
2) quoted prices for identical or similar assets or liabilities in markets that are not active
3) inputs other than quoted prices that are observable, and inputs that are derived principally from or corroborated by observable market data by correlation or other means

Level 3 ... Level 3 inputs are unobservable inputs used to measure fair value of assets and liabilities

Assets and liabilities measured at fair value on a recurring basis

Assets and liabilities measured at fair value on a recurring basis as of March 31, 2009 are as follows:

	Level1	Level2	Level3	total	Level1	Level2	Level3	total
	Amount (Millions of Yen)				Amount(Thousands of U.S. Dollars)			
Assets:								
Investment securities	10,860	101	—	10,961	110,816	1,031	—	111,847
Derivatives	—	364	—	364	—	3,714	—	3,714
Total assets:	10,860	465	—	11,325	110,816	4,745	—	115,561
Liabilities:								
Derivatives	—	1,178	—	1,178	—	12,020	—	12,020
Total liabilities:	—	1,178	—	1,178	—	12,020	—	12,020

Investment securities

Level 1 inputs include marketable securities which are valued using an unadjusted quoted market price in active markets with sufficient volume and frequency of transactions.

Level 2 inputs include investment trust funds which are valued using inputs other than quoted market prices that are observable. Fair values are evaluated according to market values based on observable market data provided by financial institutions.

Derivatives

Derivatives include foreign exchange forward contracts and interest-rate swap agreements. These are categorized as Level 2 inputs because the fair values derived using quotes from brokers which are periodically validated by pricing models using observable market inputs, such as foreign currency exchange rates and interest rates.

Assets and liabilities measured at fair value on a nonrecurring basis

The held-to-maturity security with a carrying amount of ¥200 million (US$2,041 thousand) was written down to its fair value of ¥73 million (US$745 thousand) , resulting in other-than-temporary impairment charge of ¥127 million (US$1,296 thousand) at March 31, 2009. This impaired held-to-maturity security was classified as Level 2, as the fair value was not directly observable but evaluated according to market values based on observable market data provided by financial institutions.

10 LEASES

SANYO has capital and operating leases for certain machinery and equipment, land, and office space. At March 31, 2009 and 2008, the gross amount of machinery and equipment,land and office space recorded under capital leases amounted to ¥33,488 million (US$341,710 thousand) and ¥35,511 million, respectively and the related accumulated depreciation was ¥23,116 million (US$235,875 thousand) and ¥24,605 million, respectively. Rental expenses associated with operating leases amounted to ¥2,063 million (US$21,051 thousand) and ¥2,702 million for the years ended March 31, 2009 and 2008, respectively.

Future minimum lease payments under capital leases and non-cancelable operating leases at March 31, 2009 are as follows:

	Millions of Yen		Thousands of U.S. Dollars	
Years ending March 31	Capital Leases	Operating Leases	Capital Leases	Operating Leases
2010	¥ 5,173	¥ 2,116	$ 52,786	$ 21,592
2011	4,537	1,388	46,296	14,163
2012	3,165	1,125	32,296	11,480
2013	2,384	906	24,327	9,245
2014	1,745	409	17,806	4,173
2015 and thereafter	2,005	13	20,458	133
Total minimum lease payments	¥ 19,009	¥ 5,957	193,969	$ 60,786
Less amount representing interest	967		9,867	
Present value of net minimum lease payments	18,042		184,102	
Less current portion	4,803		49,010	
Long-term capital lease obligations	¥ 13,239		$ 135,092	

11 GOODWILL AND INTANGIBLE ASSETS

Movements in the carrying amount of goodwill for the years ended March 31, 2009 and 2008 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Balance at beginning of year	**¥ 2,641**	¥ 2,641	**$ 26,949**
Impairment loss	**2,641**	—	**26,949**
Balance at end of year	**¥ —**	¥ 2,641	**$ —**

The Company recognized an impairment loss of ¥2,641 million (US$26,949 thousand) during fiscal 2009 related to goodwill of a subsidiary in the Component business segment. This impairment is due to a decrease in market demand as a result of the global economic slowdown, resulting in the carrying amount of goodwill to exceed the implied fair value of that goodwill. The implied fair value was determined by using the estimated present value of future cash flows.

Intangible assets not subject to amortization mainly consist of leasehold land and telephone rights, with carrying amounts of ¥1,924 million (US$19,633 thousand), and ¥2,015 million as of March 31, 2009 and 2008, respectively.

Intangible assets, subject to amortization at March 31, 2009 and 2008 are as follows:

	Millions of Yen			
	2009		2008	
	Gross Carrying Amounts	Accumulated Amortization	Gross Carrying Amounts	Accumulated Amortization
Software	**¥ 15,772**	**¥ 7,801**	¥ 22,120	¥ 8,660
Other	**6,917**	**3,805**	5,226	3,227
Total	**¥ 22,689**	**¥ 11,606**	¥ 27,346	¥ 11,887

	Thousands of U.S. Dollars	
	2009	
	Gross Carrying Amounts	Accumulated Amortization
Software	**$ 160,939**	**$ 79,602**
Other	**70,582**	**38,827**
Total	**$ 231,521**	**$ 118,429**

Estimated weighted average useful lives of software used for computing depreciation is 5 years.

Amortization expenses for the years ended March 31, 2009 and 2008 were ¥4,621 million (US$47,153 thousand) and ¥6,082 million, respectively. Estimated amortization expense for the next five years ending March 31 are ¥3,081 million in 2010, ¥2,137 million in 2011, ¥1,311 million in 2012, ¥741 million in 2013, and ¥332 million in 2014, respectively.

12 SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term bank loans, which are principally uncollateralized, include bank overdrafts and trade acceptances payable of foreign subsidiaries. The amount of unused lines of credit was approximately ¥427,000 million (US$4,357,143 thousand) and ¥524,000 million at March 31, 2009 and 2008, respectively.

Short-term borrowings at March 31, 2009 and 2008 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Short-term bank loans with weighted average interest rate of 2.68% and 2.63% at March 31, 2009 and March 31, 2008, respectively	**¥ 57,195**	¥ 166,570	**$ 583,622**
	¥ 57,195	¥ 166,570	**$ 583,622**

Long-term debt at March 31, 2009 and 2008 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Loans, principally from banks and insurance companies with interest rates ranging from 0.40% to 11.25% due 2009 to 2015 at March 31, 2009 and interest rates ranging from 0.40% to 9.50% due to 2008 to 2015 at March 31, 2008, respectively:			
Collateralized (Note a)	**¥ 2,555**	¥ 160	**$ 26,071**
Uncollateralized (Note b)	**246,599**	160,546	**2,516,317**
Uncollateralized bonds (Note c):			
3.35% bonds due May 2009	**30,000**	30,000	**306,122**
2.325% bonds due June 2008	—	20,000	—
1.25% bonds due May 2009	**20,000**	20,000	**204,082**
0.53% bonds due June 2010	**20,000**	20,000	**204,082**
0.82% bonds due June 2013	**10,000**	10,000	**102,041**
1.52% bonds due August 2011	**30,000**	30,000	**306,122**
2.02% bonds due August 2014	**30,000**	30,000	**306,122**
1.04% bonds issued by a subsidiary due October 2008	—	2,000	—
1.14% bonds issued by a subsidiary due March 2009	—	300	—
Capital lease obligations	**18,042**	16,761	**184,102**
Subtotal	**407,196**	339,767	**4,155,061**
Less: amount due within one year	**101,924**	68,647	**1,040,041**
Total	**¥ 305,272**	¥ 271,120	**$ 3,115,020**

Note: (a) These loans belonging to the subsidiary are collateralized against property, plant and equipment of the company with a book value of ¥6,342 million (US$64,714 thousand) and ¥1,184 million at March 31, 2009 and 2008, respectively.

(b) Substantially all of the uncollateralized loan agreements permit the lender to require collateral or guarantors.

(c) The Company and certain subsidiaries may not pledge their property or assets against any future borrowings without granting the same or equivalent collateral to the bondholders.

The aggregate annual maturities of long-term debt at March 31, 2009 are as follows:

Years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2011	¥ 144,125	$ 1,470,663
2012	99,887	1,019,255
2013	11,795	120,357
2014	18,127	184,969
2015 and thereafter	31,338	319,776
Total	¥ 305,272	$ 3,115,020

Financial covenants

Under the Company's syndicated loan agreement, which the outstanding loan balance amounted to ¥205,027 million (US$2,092,112 thousand) at March 31, 2009, the Company commits to maintain at least a BBB$^-$ rating for long term debt rated by either "Rating and Investment Information, Inc." or "Japan Credit Rating Agency, Ltd." If the commitment is violated, the Company must repay the loan on the request of the major creditors.

Under the Company's loan commitment agreement, which the balance available amounted to ¥60,000 million (US$ 612,245 thousand) with no outstanding loan balance at March 31, 2009, the Company commits to maintain at least a BBB$^-$ rating for long term debt rated by either "Rating and Investment Information, Inc." or "Japan Credit Rating Agency, Ltd." If the commitment is violated, the Company must repay the loan on the request of major creditors and the obligation of all creditors to provide loans to the Company is exempted.

13 SEVERANCE AND PENSION PLANS

Employees who terminate their service with the Company or its principal domestic subsidiaries are, under most circumstances, entitled to lump-sum payments or an annuity determined by reference to current basic rates of pay, retirement benefits points, length of service and conditions under which the terminations occur.

Retirement benefits for their directors of the Company and its principal subsidiaries recognized as the accrued pension balance amounted to ¥230 million (US$ 2,347 thousand) and ¥215 million in the fiscal years ended March 31, 2009 and 2008, respectively.

Certain subsidiaries in the U.S. have adopted defined contribution pension plans in order to provide retirement benefits while certain overseas subsidiaries have adopted defined benefit pension plans. The combined projected benefit obligations are ¥5,655 million (US$57,704 thousand) and ¥7,234 million, accrued pension costs are ¥2,446 million (US$24,959 thousand) and ¥1,741 million, and its plan assets are ¥3,209 million (US$32,745 thousand) and ¥5,493 million in the fiscal years ended March 31, 2009 and 2008, respectively.

For the fiscal year ended March 31, 2008, the Company and certain of its subsidiaries modified a part of the existing defined benefit pension plan to a defined contribution pension plan to deal with the diversification of employees' personal retirement plans. As a result of this change, the retirement benefit obligation decreased by ¥10,309 million.

Severance and pension costs including discontinued operations of the Company and its principal domestic subsidiaries include the following components for the years ended March 31, 2009 and 2008:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Service cost	**¥ 10,085**	¥ 12,996	**$ 102,908**
Interest cost	**7,692**	8,896	**78,490**
Expected return on plan assets	**(6,315)**	(7,789)	**(64,439)**
Amortization:			
Prior service benefit	**(2,413)**	(1,844)	**(24,622)**
Actuarial losses	**9,688**	7,754	**98,857**
Net periodic benefit cost	**¥ 18,737**	¥ 20,013	**$ 191,194**

Assumptions of the Company and its principal domestic subsidiaries used in determining the net periodic benefit cost for the years ended March 31, 2009 and 2008 are as follows:

	2009	2008
Discount rate	**2.0-2.5%**	2.0-3.0%
Long-term rate of salary increase	**2.6%**	2.5%
Long-term rate of return on plan assets	**2.0-3.3%**	1.0-4.7%

The long-term rate of return on plan assets is based on the projected and actual return on each pension fund.

The following table sets forth the changes in projected benefit obligation, plan assets and funded status of the Company and its principal domestic subsidiaries at March 31, 2009 and 2008:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Change in projected benefit obligation:			
Projected benefit obligation at beginning of year	**¥ 408,908**	¥ 430,570	**$ 4,172,531**
Effects of changing pension plan measurement date pursuant to FASB Statement No.158	**7,167**	—	**73,133**
Service cost	**10,085**	12,996	**102,908**
Interest cost	**7,692**	8,896	**78,490**
Plan participants' contributions	**24**	383	**245**
Actuarial gains	**(13,436)**	(7,440)	**(137,103)**
Benefits paid	**(27,497)**	(26,188)	**(280,582)**
Prior service benefit resulted from plan amendment	—	(10,309)	—
Decrease due to sale of mobile business unit	**(7.061)**	—	**(72,051)**
Projected benefit obligation at end of year	**385,882**	408,908	**3,937,571**
Change in plan assets:			
Fair value of plan assets at beginning of year	**202,347**	217,593	**2,064,765**
Effects of changing pension plan measurement date pursuant to FASB Statement No.158	**(4,514)**	—	**(46,061)**
Actual return on plan assets	**(36,229)**	(18,400)	**(369,684)**
Employer contributions	**19,738**	21,891	**201,408**
Plan participants' contributions	**24**	383	**245**
Benefits paid	**(16,506)**	(19,120)	**(168,428)**
Decrease due to sale of mobile business unit	**(3,140)**	—	**(32,041)**
Fair value of plan assets at end of year	**161,720**	202,347	**1,650,204**
Funded status:			
Projected benefit obligation in excess of plan assets	**224,162**	206,561	**2,287,367**
Net amount recognized	**¥ 224,162**	¥ 206,561	**$ 2,287,367**

The measurement dates of the projected benefit obligation and fund assets as of March 31, 2009 and 2008 are March 31, 2009 and December 31, 2007, respectively.

The accumulated benefit obligations of the Company and its principal domestic subsidiaries at March 31, 2009 and 2008 are ¥336,440 million (US$3,433,061 thousand) and ¥355,205 million, respectively. There is no pension plan in which the fair value of plan assets exceeds the accumulated benefit obligation.

Assumptions of the Company and its principal domestic subsidiaries used in determining the benefit obligations as of March 31, 2009 and 2008 are as follows:

	2009	2008
Discount rate	**1.9-2.5%**	2.0-2.5%
Long-term rate of salary increase	**2.4%**	2.6%

Amounts of the Company and its principal domestic subsidiaries recognized in the consolidated balance sheets at March 31, 2009 and 2008 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Liabilities held for sale	**¥ —**	¥ 3,421	**$ —**
Other liabilities	**4,533**	5,499	**46,255**
Accrued pension and severance costs	**219,629**	197,641	**2,241,112**
Net amount recognized	**¥ 224,162**	¥ 206,561	**$ 2,287,367**

The estimated prior service benefit and actuarial loss of the Company and its principal domestic subsidiaries for the defined benefit pension plans that will be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost over the next year are summarized as follows:

	Millions of Yen	Thousands of U.S. Dollars
Prior service benefit	¥ (3,098)	$ (31,612)
Actuarial loss	¥ 11,251	$ 114,806

The estimated contribution amount to plan assets by the Company and its principal domestic subsidiaries for the year ending March 31, 2010 is ¥20,466 million (US$208,837 thousand).

Future benefit payments of the Company and its principal domestic subsidiaries are expected as follows:

Years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2010	¥ 21,190	$ 216,224
2011	22,936	234,041
2012	23,436	239,143
2013	20,646	210,673
2014	20,316	207,306
2015 - 2019	103,008	1,051,102

As of March 31, 2009 and 2008, the Company and its principal domestic subsidiaries' plan assets consist of the following components:

	2009	2008
Equity securities	**34 %**	41 %
Debt securities	**17 %**	15 %
General accounts of life insurance company	**21 %**	16 %
Others	**28 %**	28 %
Total	**100 %**	100 %

SANYO's investment policy for plan assets is designed to secure sufficient plan assets to provide future payments of pension benefit to beneficiaries.

Plan assets are employed by taking into consideration the long-term rate of return, based on the most suitable combination of basic portfolio, i.e., equity securities or debt securities.

The basic portfolio is determined by the medium-long term point of view. If amendment is needed to achieve the long-term rate of return, SANYO re-examines the basic portfolio as necessary.

Amount of prior service benefit and actuarial loss of the Company and its principal subsidiaries recognized in stockholders' equity for the fiscal year ended March 31,2009 and 2008 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Prior service benefit	**¥ 33,229**	¥ 36,297	**$ 339,071**
Actuarial loss	**(195,141)**	(167,828)	**(1,991,234)**
Pension Liability Adjustments included in accumulated other comprehensive income, gross of tax	**(161,912)**	(131,531)	**(1,652,163)**
Impact of tax and minority interest	**1,853**	352	**18,908**
Pension Liability Adjustments included in accumulated other comprehensive income, net of tax	**¥ (160,059)**	¥ (131,179)	**$ (1,633,255)**

Amounts change in plan assets and benefit obligations of the Company and its principal subsidiaries recognized in stockholders' equity at March 31, 2009 are as follows:

	Millions of Yen		
	2009		
	Gross of tax amount	Tax impact	Net of tax amount
Amortization of prior service benefit	¥ (2,413)	¥ 8	¥ (2,405)
Actuarial loss	(30,051)	1,440	(28,611)
Amortization of actuarial loss	9,670	(30)	9,640
Total	¥ (22,794)	¥ 1,418	¥ (21,376)

	Thousands of U.S. dollars		
	2009		
	Gross of tax amount	Tax impact	Net of tax amount
Amortization of prior service benefit	$ (24,622)	$ 82	$ (24,540)
Actuarial loss	(306,643)	14,694	(291,949)
Amortization of actuarial loss	98,673	(306)	98,367
Total	$ (232,592)	$ 14,470	$ (218,122)

Amounts change in plan assets and benefit obligations of the Company and its principal subsidiaries recognized in stockholders' equity at March 31, 2008 are as follows:

	Millions of Yen		
	2008		
	Gross of tax amount	Tax impact	Net of tax amount
Prior service benefit resulted from plan amendment	¥ 10,309	¥ (35)	¥ 10,274
Amortization of prior service benefit	(1,844)	5	(1,839)
Actuarial loss	(19,319)	89	(19,230)
Amortization of actuarial loss	7,754	(19)	7,735
Total	¥ (3,100)	¥ 40	¥ (3,060)

14 STOCK OPTION PLANS

The Company has a stock option plan to provide for grants of options to purchase shares of common stock for all its directors, corporate auditors, vice presidents, and certain key employees. The options granted vest over two years and are exercisable over a maximum of two years after vesting.

A summary of stock option plan activity for the years ended March 31, 2009 and 2008 is as follows:

	Number of Options (shares)	Weighted Average Exercise Price	
		Yen	U.S. Dollars
Options outstanding at March 31, 2007	5,503,000	466	
Granted	—	—	
Exercised	—	—	
Canceled	—	—	
Expired	(2,409,000)	481	
Options outstanding at March 31, 2008	3,094,000	455	
Granted	—	—	—
Exercised	—	—	—
Canceled	—	—	—
Expired	(3,094,000)	455	4.64
Options outstanding at March 31, 2009	—	¥ —	$ —
Options exercisable :			
At March 31, 2008	**3,094,000**	**455**	**4.64**
At March 31, 2009	—	—	—

15 COMMITMENTS AND CONTINGENT LIABILITIES

Commitments outstanding at March 31, 2009 for the purchase of property, plant and equipment amounted to ¥9,564 million (US$97,592 thousand).

In the Component business segment, the Company entered into purchase agreements, in which it has committed to purchase certain materials until 2020. In accordance with contractual agreements, commitments outstanding at March 31, 2009 amounted to ¥237,221 million (US$2,420,622 thousand).

Contingent liabilities at March 31, 2009 for discounted notes issued in the ordinary course of business and other guaranteed loans amounted to ¥4,241 million (US$43,276 thousand) and ¥12,751 million (US$130,112 thousand), respectively. No material loss is anticipated by management as a result of these discounted notes and guaranteed loans.

SANYO guarantees the quality and performance of its products and services for a certain period.

The movements in the provision for warranty costs for the years ended March 31, 2009 and 2008 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Balance at beginning of year	**¥ 6,772**	¥ 7,867	**$ 69,102**
Provision for the warranty costs added during the period	**2,450**	6,762	**25,000**
Warranty paid during the period	**(4,623)**	(7,491)	**(47,173)**
Adjustment	**(468)**	(366)	**(4,776)**
Balance at end of year	**¥ 4,131**	¥ 6,772	**$ 42,153**

SANYO is a defendant in several lawsuits. In the opinion of management, these lawsuits will not materially affect SANYO's operating results, financial position or cash flows.

16 FINANCIAL INSTRUMENTS

SANYO used the following methods and assumptions to estimate the fair value of each class of financial instruments for which it is practicable to estimate such a value:

(a) Cash and cash equivalents, trade and short-term borrowings, current portion of long-term debt and trade payables

The carrying amount approximates fair value because of the short maturities of these instruments.

(b) Short-term investments

The fair value of short-term investments is based on quoted market prices. (Note 8)

(c) Investments and advances

The fair value of certain investments is based on quoted market prices. For other investments which have no quoted market prices, a reasonable estimate of fair value cannot be made without incurring excessive costs. (Note 8)

(d) Long-term debt (Excluding current portion of long-term debt)

The fair value of long-term debt is estimated based on the present value of future cash flows using quoted market price of same or similar debt securities.

(e) Foreign currency exchange forward contracts and currency options

The fair value of foreign currency exchange forward contracts and currency options is estimated by obtaining quotes from brokers.

(f) Interest rate and currency swap agreements

The fair value of interest rate and currency swap agreements is estimated based on the present value of future cash flows using a market rate of the quoted market prices for the same or similar issues.

SANYO does not hold or issue any financial instruments for trading or speculative purposes.

Although SANYO may be exposed to losses in the event of nonperformance by counterparties or in interest and currency fluctuations, it does not anticipate significant losses from the arrangements previously described.

The estimated fair values of financial instruments as of March 31, 2009 and 2008 are as follows:

Debit (Credit)

	Millions of Yen					
	2009			2008		
	Notional Amount	Carrying Amount	Fair Value	Notional Amount	Carrying Amount	Fair Value
Long-term debt	¥ —	¥ (305,272)	¥ (311,040)	¥ —	¥ (271,120)	¥ (276,714)
Foreign currency forward contracts-selling	49,690	(1,092)	(1,092)	72,688	2,861	2,861
Foreign currency forward contracts-buying	7,471	233	233	15,012	(467)	(467)
Currency option contracts-selling	79	(1)	(1)	—	—	—
Currency option contracts-buying	171	10	10	—	—	—
Interest rate and currency swap	36,004	36	36	14,647	24	24

	Thousands of U.S. Dollars		
	2009		
	Notional Amount	Carrying Amount	Fair Value
Long-term debt	$ —	$ (3,115,020)	$ (3,173,878)
Foreign currency forward contracts-selling	507,041	(11,143)	(11,143)
Foreign currency forward contracts-buying	76,235	2,378	2,378
Currency option contracts-selling	806	(10)	(10)
Currency option contracts-buying	1,745	102	102
Interest rate and currency swap	367,388	367	367

The estimated fair value amounts have been determined using available market information and appropriate valuation methodologies.

Considerable judgment is required in certain instances to develop estimates of fair value. Accordingly, the estimates presented herein may not be indicative of the amounts that could be realized in the current market. The use of different market assumptions or valuation methodologies may have an effect on the estimated fair value amounts.

17 DERIVATIVES

Risk management policy

SANYO operates, manufactures and sells electronic products and provides certain financial services in various locations around the world. SANYO's activities expose it mainly to risks related to the effects of changes in foreign currency exchange rates and interest rates. Derivatives are held in accordance with the formally documented risk management program. SANYO utilizes certain derivatives to manage its foreign currency and interest risk exposure, including those related to forecasted transactions.

Foreign currency exchange risk management

The Company and certain subsidiaries maintain a foreign currency exchange risk management strategy in which derivatives are used to minimize exposure and to reduce risk from exchange rate fluctuations. Foreign currency forward contracts, foreign currency swaps and foreign currency options are not designated, and do not qualify as hedges since they do not meet the requirements for hedge accounting. Changes in the fair value of these contracts and the foreign currency translation gains or loss arising from assets and liabilities denominated in foreign currencies are reported as a component of other income and expense in the consolidated statements of operations. At March 31, 2009, the total notional amounts of the SANYO’s foreign currency forward contracts and foreign currency options were ¥57,161 million (US$583,276 thousand) and ¥250 million (US$2,551 thousand), respectively.

Interest rate risk management

The Company and certain subsidiaries maintain an interest rate risk management strategy in which derivatives are used to reduce risk from interest rate fluctuations. SANYO’s goals are to manage interest rate sensitivity by modifying the characteristics of its debt and to lower the cost of its borrowing rates where possible. At March 31, 2009, the total notional amount of the SANYO’s interest rate swaps was ¥36,004 million (US$367,388 thousand).

Fair value hedges

The Company and certain subsidiaries use interest rate swaps to convert a portion of its nonprepayable fixed-rate debt into floating-rate debt. The resulting cost of funds is lower than it would be if floating-rate debt were issued directly. Under an interest rate swap contract, SANYO agrees with other parties to exchange the difference between fixed-rate and floating-rate interest amounts calculated based on an agreed-upon notional amount.

Fair value and changes in fair value of the interest rate swaps that were designated and qualified as a fair value hedge were not material and accordingly they were not recorded in the financial statement for the fiscal year ended March 31, 2009.

Cash flow hedges

The Company and certain subsidiaries have entered into pay fixed, receive floating interest rate swaps to hedge the interest rate exposure of future interest payments.

Fair value and changes in fair value of the interest rate swaps that were designated and qualified as a cash flow hedge were not material and accordingly they were not recorded in the financial statement for the fiscal year ended March 31, 2009.

The following tables provide a quantitative summary of the derivative instrument related risk management activity as of and for the three months ended March 31, 2009.

Fair Values of Derivative Instruments as of March 31, 2009 are as follows:

	Millions of Yen					
	2009			2009		
	Asset Derivatives			Liability Derivatives		
	Consolidated Balance Sheet Location		Fair Value	Consolidated Balance Sheet Location		Fair Value
Derivatives Not Designated as Hedging Instruments						
Interest rate contracts	Other assets	¥	36	Other liabilities	¥	—
Foreign exchange contracts	Other assets		539	Other liabilities		1,389
Total		¥	575		¥	1,389

	Thousands of U.S. Dollars					
	2009			2009		
	Asset Derivatives			Liability Derivatives		
	Consolidated Balance Sheet Location		Fair Value	Consolidated Balance Sheet Location		Fair Value
Derivatives Not Designated as Hedging Instruments						
Interest rate contracts	Other assets	$	367	Other liabilities	$	—
Foreign exchange contracts	Other assets		5,500	Other liabilities		14,173
Total		$	5,867		$	14,173

The Effect of Derivative Instruments on the Consolidated Statement of Operations for the three months ended March 31, 2009 is as follows:

	Millions of Yen		
	Three months ended March 31,2009		
	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative	
Derivatives Not Designated as Hedging Instruments			
Interest rate contracts	Other income	¥	4
Foreign exchange contracts	Other expense		(1,540)
Total		¥	(1,536)

	Thousands of U.S. Dollars		
	Three months ended March 31,2009		
	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative	
Derivatives Not Designated as Hedging Instruments			
Interest rate contracts	Other income	$	41
Foreign exchange contracts	Other expense		(15,714)
Total		$	(15,673)

Additional information regarding derivative Instruments can be referenced in Note 9, Fair Value Measurements and Note 16, Financial Instruments of the Notes to Consolidated Financial Statements.

18 STOCKHOLDERS' EQUITY

The Japanese Company Law (the "Law") provides that an amount equal to 10% of appropriations be appropriated as a capital reserve or legal reserve until the aggregated amount of capital reserve and legal reserves equal to 25% of stated capital. The capital reserve and legal reserves are restricted from being used as dividends. The amount available for dividends under the Law is based on the amount recorded in the Company's non-consolidated financial statements prepared in accordance with accounting principles generally accepted in Japan.

The Law requires the approval of stockholders' meeting for transferring an amount between common stock and capital reserve. Common stock and capital reserve also are available for being transferred to other capital surplus or being used to reduce a deficit mainly upon an approval of stockholders' meeting.

19 PREFERRED STOCK

On January 25, 2006, the Company completed a stock subscription agreement with Daiwa Securities SMBC Principal Investments Co., Ltd., Goldman Sachs Group and Sumitomo Mitsui Banking Corporation for the purpose of further accelerating and driving forward the structural reforms and executing the capital investment necessary for a growth strategy centered on future core businesses.

At the extraordinary stockholders' meeting held on February 24, 2006, the issuance of 182,600,000 shares of Series 1 Class A Preferred Stock and of 246,100,000 shares of Series 1 Class B Preferred Stock was approved. On March 14, 2006, the Company issued 182,542,200 shares of Series 1 Class A Preferred Stock and 246,029,300 shares of Series 1 Class B Preferred Stock at an issue price of ¥700 each. The total issue amount was ¥127,780 million for the Class A shares and ¥172,220 million for the Class B shares.

The terms of the preferred stock are as follows:

Series 1 Class A Preferred Stock

1) A share of the Series 1 Class A Preferred Stock (issue price being ¥700) has a right to convert the share into ten shares of common stock of the Company (conversion ratio being 1:10), during the period from March 14, 2007 to March 13, 2026. Therefore, each share of the Series 1 Class A Preferred Stock may be converted into ten shares of common stock.
2) The dividends and interim dividends for the Series 1 Class A Preferred Stock shall be paid in the same priority as dividends to common stockholders and other classified stockholders. The amount shall be obtained by multiplying the dividend amount or the interim dividend amount per share of common stock by the conversion rate then in effect as described in the paragraph above.
3) In the case of the distribution of residual assets, for each share of the Series 1 Class A Preferred Stock, ¥700 shall be paid to the stockholders of the Series 1 Class A Preferred Stock in preference to the common stockholders.
4) The Series 1 Class A Preferred Stock shall have voting rights at a Stockholders' Meetings.
5) The number of shares of the Series 1 Class A Preferred Stock constituting a new unit of shares is 100, which is one-tenth of the number of shares of common stock constituting a new unit of shares (1,000).

Series 1 Class B Preferred Stock

1) A share of the Series 1 Class B Preferred Stock (issue price being ¥700) has a right to convert the share into ten shares of common stock of the Company (conversion ratio being 1:10), during the period from the day immediately after the Payment Date to March 13, 2026. Therefore, each share of the Series 1 Class B Preferred Stock may be converted into ten shares of common stock.
2) The dividends and interim dividends for the Series 1 Class B Preferred Stock shall be paid in the same priority as dividends to common stockholders and other classified stockholders. The amount shall be obtained by multiplying the dividend amount or the interim dividend amount per share of common stock by the conversion rate then in effect as described in the paragraph above.
3) In the case of the distribution of residual assets, for each share of the Series 1 Class B Preferred Stock, ¥700 shall be paid to the stockholders of the Series 1 Class B Preferred Stock in preference to the common stockholders.
4) The Series 1 Class B Preferred Stock shall not have voting rights at a Stockholders' Meetings unless otherwise stipulated by law.
5) The number of shares of the Series 1 Class B Preferred Stock constituting a new unit of shares is 100, which is one-tenth of the number of shares of common stock constituting a new unit of shares (1,000).

In accordance with SFAS No.150 "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity," the Company analyzed and classified the preferred stock as equity since the preferred stock is not mandatorily redeemable, is not a financial instrument, other than an outstanding share that embodies an obligation to repurchase the Company's equity shares and that requires the transfer of Company's assets to settle the obligation, nor does it embody any unconditional obligation to settle by issuing a variable number of its common stock at conversion of the preferred stock.

20 INCOME TAXES

SANYO is subject to a number of different income taxes which, in aggregate, result in a statutory income tax rate in Japan of approximately 40.7% for the year ended March 31, 2009 and 40.5% for 2008.

The significant components of deferred income tax assets and deferred income tax liabilities at March 31, 2009 and 2008 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Deferred income tax assets:			
Accrued pension and severance costs	**¥ 25,620**	¥ 29,031	**$ 261,429**
Accrued expenses	**22,208**	11,965	**226,612**
Operating loss carryforwards	**199,373**	162,633	**2,034,418**
Inventories	**18,865**	19,865	**192,500**
Allowance for doubtful accounts	**2,592**	2,623	**26,4449**
Property, plant and equipment	**52,964**	32,842	**540,449**
Enterprise taxes	**210**	727	**2,143**
Long-term investments	**5,586**	9,681	**57,000**
Other	**1,419**	4,156	**14,480**
Gross deferred income tax assets	**328,837**	273,523	**3,355,480**
Less valuation allowance	**(310,872)**	(253,003)	**(3,172,164)**
Total deferred income tax assets	**17,965**	20,520	**183,316**
Deferred income tax liabilities:			
Investment in affiliates	**(5,068)**	(8,394)	**(51,714)**
Unrealized gains on securities	**—**	(1,228)	**—**
Other	**(2,484)**	(2,485)	**(25,347)**
Gross deferred income tax liabilities	**(7,552)**	(12,107)	**(77,061)**
Net deferred income tax assets	**¥ 10,413**	¥ 8,413	**$ 106,255**

Reconciliations of the difference between the statutory income tax rate and the effective income tax rate for the years ended March 31, 2009 and 2008 are as follows:

	2009	2008
Statutory income tax rate	**40.7 %**	40.5 %
(Decrease) increase in taxes resulting from:		
Change in valuation allowance	(46.2)	10.3
Expenses not deductible for tax purposes and income not taxable, net	(1.1)	(10.2)
Tax credits	0.0	0.1
Differences in statutory tax rates of foreign subsidiaries	2.1	(13.7)
Other	(0.3)	0.0
Effective income tax rate	**(4.8) %**	27.0 %

In assessing the realizability of deferred income tax assets, management considers whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible and operating loss carry forwards utilized. Management considered the scheduled reversal of deferred income tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods which the deferred income tax assets are deductible, management believes it is more likely than not that SANYO will realize the benefits of these deductible differences, net of existing valuation allowances at March 31, 2009 and 2008.

Net changes in the total valuation allowance for the year ended March 31, 2009 was an increase of ¥57,869 million (US$590,500 thousand). Operating loss carryforwards at March 31, 2009 amounted to approximately ¥528,038 million (US$5,388,143 thousand) and are available for offset against future taxable income. These will expire mainly in the periods ending from March 31, 2010 through 2016. ¥445,059 million (US$4,541,418 thousand) of operating loss carryforwards is attributable to the Japanese consolidated companies which is included in the Company, ¥86,114 million (US$878,714 thousand) will expire in

the periods ending March 31, 2010 through 2012 and ¥293,961 million (US$2,999,602 thousand) will expire in the periods ending from March 31, 2013 through 2015.

Operating loss carryforwards of ¥68,139 million (US$695,296 thousand) which are recorded in subsidiaries in Germany, Singapore, Hong Kong, Malaysia, England, Hungary and Brazil will not expire.

The amount of undistributed earnings of foreign subsidiaries and overseas corporate joint ventures for which no deferred income tax liability has been provided amounted to ¥92,625 million (US$945,153 thousand) at March 31, 2009. A deferred income tax liability for the undistributed earnings will be recognized at the time of the collection of undistributed earnings through cash dividends or sale of the investments. It is not practicable to determine the tax liability for undistributed earnings of foreign subsidiaries and overseas corporate joint ventures.

On April 1, 2007, SANYO adopted FASB Interpretation No.48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No.109."

A reconciliation of the beginning and ending amount of total unrecognized tax benefits is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Balance at April 1, 2008	**¥ 1,265**	¥ 1,492	**$ 12,908**
Increase related to current tax year positions	**2,149**	334	**21,929**
Increase related to previous year tax positions	**—**	29	**—**
Decrease related to previous year tax positions	**(73)**	(425)	**(745)**
Settlements	**—**	(165)	**—**
Balance at March 31, 2009	**¥ 3,341**	¥ 1,265	**$ 34,092**

¥3,341 million (US$34,092 thousand) and ¥1,265 million of unrecognized tax benefits at March 31, 2009 and 2008, respectively, represent potential tax benefits that if recognized, would reduce the effective tax rate on income from continuing operations.

SANYO believes that it has made adequate provision for all income tax uncertainties. However, certain uncertainties regarding the final results of tax examination may affect the effective tax rate in the future. At March 31, 2009, we do not expect any significant changes in unrecognized tax benefits in the next 12 months.

Interest and penalties recognized in the consolidated statements of operations are included in provision for income taxes and accrued interest and penalties in the consolidated balance sheets are included in other non-current liabilities. The total amounts of accrued interest and penalties as of March 31, 2009 and interest and penalties included in the consolidated statement of operations for the year then ended were not material.

The Japanese tax authority completed income tax examinations up to the fiscal year ended March 31, 2004 for the Company and up to the fiscal year ended March 31, 2002 for its domestic subsidiaries. The Company's foreign subsidiaries, including the United States and China, have completed their income tax examinations by their respective local tax authorities up to the fiscal year ended March 31, 2002.

21 RESEARCH AND DEVELOPMENT, SHIPPING AND HANDLING, AND ADVERTISING EXPENSES

Research and development expenses for the years ended March 31, 2009 and 2008 were ¥75,434 million (US$769,735 thousand) and ¥71,797 million, respectively.

Shipping and handling expenses which are included in selling, general and administrative expenses for the years ended March 31, 2009 and 2008 were ¥31,801 million (US$324,500 thousand) and ¥34,882 million, respectively. Advertising expenses which are included in selling, general and administrative expenses for the years ended March 31, 2009 and 2008 were ¥10,965 million (US$111,888 thousand) and ¥12,428 million, respectively.

22 INCOME (LOSS) PER SHARE

Income (loss) per share for the years ended March 31, 2009 and 2008 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Basic income (loss) per share calculation:			
Income (loss) (numerator) :			
Net income (loss) from continuing operations	**¥ (122,158)**	¥ 39,148	**$ (1,246,510)**
Amount allocated to participating preferred stockholders	**(85,251)**	27,330	**(869,908)**
Income (loss) available to common stockholders	**¥ (36,907)**	¥ 11,818	**$ (376,602)**
Net income (loss) from discontinued operations	**¥ 28,932**	¥ (10,448)	**$ 295,224**
Amount allocated to participating preferred stockholders	**20,191**	(7,294)	**206,030**
Income (loss) available to common stockholders	**¥ 8,741**	¥ (3,154)	**$ 89,194**
Net income (loss)	**¥ (93,226)**	¥ 28,700	**$ (951,286)**
Amount allocated to participating preferred stockholders	**(65,060)**	20,036	**(663,878)**
Income (loss) available to common stockholders	**¥ (28,166)**	¥ 8,664	**$ (287,408)**
Shares, thousands (denominator):			
Weighted average number of shares	**1,855,386**	1,853,310	
Basic income (loss) per share (Yen and U.S. dollars):			
Net income (loss) from continuing operations	**¥ (19.9)**	¥ 6.4	**$ (0.20)**
Net income (loss) from discontinued operations	**4.7**	(1.7)	**0.05**
Net income (loss)	**¥ (15.2)**	¥ 4.7	**$ (0.15)**
Diluted income (loss) per share calculation:			
Income (loss) (numerator) :			
Net income (loss) from continuing operations	**¥ (122,158)**	¥ 39,148	**$ (1,246,510)**
Amount allocated to participating preferred stockholders	**(85,251)**	27,330	**(869,908)**
Income (loss) available to common stockholders	**¥ (36,907)**	¥ 11,818	**$ (376,602)**
Net income (loss) from discontinued operations	**¥ 28,932**	¥ (10,448)	**$ 295,224**
Amount allocated to participating preferred stockholders	**20,191**	(7,294)	**206,030**
Income (loss) available to common stockholders	**¥ 8,741**	¥ (3,154)	**$ 89,194**
Net income (loss)	**¥ (93,226)**	¥ 28,700	**$ (951,286)**
Amount allocated to participating preferred stockholders	**(65,060)**	20,036	**(663,878)**
Income (loss) available to common stockholders	**¥ (28,166)**	¥ 8,664	**$ (287,408)**
Shares, thousands (denominator):			
Weighted average number of shares	**1,855,386**	1,853,310	
Assume exercise of stock options	—	—	
Adjusted weighed average number of shares	**1,855,386**	1,853,310	
Diluted income (loss) per share (Yen and U.S. dollars):			
Net income (loss) from continuing operations	**¥ (19.9)**	¥ 6.4	**$ (0.20)**
Net income (loss) from discontinued operations	**4.7**	(1.7)	**0.05**
Net income (loss)	**¥ (15.2)**	¥ 4.7	**$ (0.15)**

23 SUPPLEMENTARY INFORMATION TO THE CONSOLIDATED STATEMENTS OF OPERATIONS

Supplementary information to the consolidated statements of operations for the years ended March 31, 2009 and 2008 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Other income:			
Gain on sale on equity securities	**¥ 429**	¥ 10,922	**$ 4,378**
Net rental income received	**2,324**	2,427	**23,714**
Equity in earnings of affiliated companies	**1,837**	3,017	**18,745**
Gain on sale on fixed assets	**235**	—	**2,398**
Other (a)	**13,566**	21,169	**138,429**
Total	**¥ 18,391**	¥ 37,535	**$ 187,664**
Other expenses:			
Exchange loss, net	**¥ 12,045**	¥ 19,056	**$ 122,908**
Restructuring charges (b)	**75,358**	2,738	**768,959**
Impairment loss on investment securities	**593**	99	**6,051**
Impairment loss on fixed assets (c)	**5,427**	4,185	**55,378**
Other (d)	**39,228**	22,705	**400,286**
Total	**¥ 132,651**	¥ 48,783	**$ 1,353,582**

Note: (a)Other

For the year ended March 31, 2009 and 2008, other income includes ¥1,865 million (US$19,031 thousand) and ¥2,643 million for royalty revenue for technological support, respectively.

(b)Restructuring charges

For the year ended March 31, 2009 and 2008, SANYO recorded restructuring charges of ¥75,358 million (US$768,959 thousand) and ¥2,738 million, respectively.

The details of the restructuring charges by business segments for the years ended March 31, 2009 and 2008 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Component business segment	**¥ 66,568**	¥ 554	**$ 679,265**
Consumer business segment	**5,125**	2,112	**52,296**
Commercial business segment	**2,015**	—	**20,561**
Other business segment	**1,650**	72	**16,837**
Total	**¥ 75,358**	¥ 2,738	**$ 768,959**

Component business segment

For the year ended March 31, 2009, SANYO reviewed future profitability and reduced the workforce, primarily in the Semiconductor business which was affected by the market which began deteriorating in the second half of fiscal 2009. As a result, SANYO recorded a restructuring charge of ¥66,568 million (US$679,265 thousand) which consists mainly of impairment losses on fixed assets of ¥50,610 million (US$516,429 thousand), severance benefits of ¥9,328 million (US$95,184 thousand) and an impairment loss on goodwill of ¥2,641 million (US$26,949 thousand).

For the year ended March 31, 2008, SANYO began restructuring in the Semiconductor and Photonics business. As a result, SANYO recorded a restructuring charge of ¥554 million.

Consumer business segment

For the year ended March 31, 2009, SANYO divested some affiliate companies and restructured the sales force in the TV business. As a result, SANYO recorded a restructuring charge of ¥5,125 million (US$52,296 thousand) which consists mainly of the costs associated with the divestiture of affiliate companies of ¥2,616 million (US$26,694 thousand) in the TV business, impairment losses on fixed assets of ¥931 million (US$9,500 thousand) and severance benefits of ¥823 million (US$8,398 thousand).

For the year ended March 31, 2008, SANYO reduced the

workforce of subsidiaries. As a result, SANYO recorded a restructuring charge of ¥2,112 million which consists mainly of severance benefits of ¥920 million in the AV equipment business, impairment losses on fixed assets of ¥582 million in the home appliance business and a disposal loss on fixed assets and inventories of ¥317 million.

Commercial business segment

For the year ended March 31, 2009, SANYO reorganized the commercial air conditioner business in Europe. As a result, SANYO recorded a restructuring charge of ¥2,015 million (US$20,561 thousand) which consists mainly of an asset disposal loss of ¥982 million (US$10,020 thousand) and impairment losses on fixed assets of ¥807 million (US$8,235 thousand).

Other business segment

For the year ended March 31, 2009, SANYO recorded a restructuring charge of ¥1,650 million (US$16,837 thousand).

The restructuring charges for the year ended March 31, 2009 and 2008 are as follows :

	Millions of Yen				
	Employee termination benefits	Non-cash impairment losses on fixed assets	Non-cash evaluation and disposal loss on other assets	Other associated costs	Total
Balance at March 31, 2008	¥ 1,103	¥ —	¥ —	¥ 39	¥ 1,142
Restructuring costs	10,559	52,348	3,362	9,089	75,358
Non-cash charges	—	(52,348)	(3,362)	—	(55,710)
Cash payments	(10,572)	—	—	(8,523)	(19,095)
Balance at March 31, 2009	¥ 1,090	¥ —	¥ —	¥ 605	¥ 1,695

(Note) Evaluation and disposal loss on other assets includes losses related to accounts receivable, inventories, investment securities and fixed assets.

	Millions of Yen				
	Employee termination benefits	Non-cash impairment losses on fixed assets	Non-cash evaluation and disposal loss on other assets	Other associated costs	Total
Balance at March 31, 2007	¥ 2,138	¥ —	¥ —	¥ 641	¥ 2,779
Restructuring costs	1,494	645	317	282	2,738
Non-cash charges	—	(645)	(317)	—	(962)
Cash payments	(2,529)	—	—	(884)	(3,413)
Balance at March 31, 2008	¥ 1,103	¥ —	¥ —	¥ 39	¥ 1,142

(Note) Evaluation and disposal loss on other assets includes losses related to accounts receivable, inventories, investment securities and fixed assets.

	Thousands of U.S. Dollars				
	Employee termination benefits	Non-cash impairment losses on fixed assets	Non-cash evaluation and disposal loss on other assets	Other associated costs	Total
Balance at March 31, 2008	$ 11,255	$ —	$ —	$ 398	$ 11,653
Restructuring costs	107,745	534,163	34,306	92,745	768,959
Non-cash charges	—	(534,163)	(34,306)	—	(568,469)
Cash payments	(107,877)	—	—	(86,970)	(194,847)
Balance at March 31, 2009	$ 11,123	$ —	$ —	$ 6,173	$ 17,296

(Note) Evaluation and disposal loss on other assets includes losses related to accounts receivable, inventories, investment securities and fixed assets

(c) Impairment losses on fixed assets

For the year ended March 31, 2009 and 2008, SANYO recorded impairment losses of ¥5,427 million (US$55,378 thousand) and ¥4,185 million, respectively. These impairment losses resulted from the review of future cash flows for assets for which the carrying amounts may not be recoverable. An impairment loss is calculated as the difference between the carrying amount and fair value of an asset, if the fair value of the asset is found to be lower.

The impairment losses are calculated as the difference between the carrying value and present value of estimated future net cash flows.

The deails of the impairment losses by business segments for the years ended March 31, 2009 and 2008 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Component business segment	**¥ 3,423**	¥ 455	**$ 34,929**
Consumer business segment	**1,481**	194	**15,112**
Commercial business segment	**—**	2,505	**—**
Other business segment	**53**	70	**541**
Corporate	**470**	961	**4,796**
Total	**¥ 5,427**	¥ 4,185	**$ 55,378**

For the year ended March 31, 2009, SANYO recorded impairment losses as a result of a review of future cash flows due to the rapid deterioration of the market environment in the second half of the fiscal year.

In addition, SANYO recorded impairment losses of ¥52,348 million (US$534,163 thousand) as restructuring costs.

For the year ended March 31, 2008, in the Commercial business segment, SANYO recorded impairment losses as a result of a review of future cash flows.

In addition, SANYO recorded impairment losses of ¥645 million as restructuring costs.

(d) Other

For the years ended March 31, 2009, other expense includes ¥14,664 million (US$149,633 thousand) of costs for faulty products in the Consumer business segment.

For the years ended March 31, 2008, other expense includes ¥6,915 million of costs for faulty products in the Component business and Consumer business segment.

24 SUPPLEMENTARY INFORMATION OF CONSOLIDATED STATEMENTS OF CASH FLOWS

Supplementary information relating to the consolidated statements of cash flows for the years ended March 31, 2009 and 2008 is as follows:

	Millions of Yen		Thousands of U.S. dollars
	2009	2008	**2009**
Supplemental disclosures of cash flow information :			
Cash paid during the period for :			
Interest	**¥ 12,600**	¥ 15,720	**$ 128,571**
Income taxes (net)	**11,339**	16,074	**115,704**

For the years ended March 31, 2009 and 2008, acquired capital lease assets were ¥ 4,067 million (US$41,495 thousand) and ¥6,969 million, respectively.

Independent Auditors' Report

The Board of Directors
SANYO Electric Co., Ltd.:

We have audited the accompanying consolidated balance sheets of SANYO Electric Co., Ltd. and its subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended, all expressed in yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The segment information required to be disclosed in the Company's consolidated financial statements under accounting principles generally accepted in the United States of America is not presented in the accompanying consolidated financial statements.

In our opinion, except for the omission of segment information as discussed in the preceding paragraph, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SANYO Electric Co., Ltd. and its subsidiaries as of March 31, 2009 and 2008, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements as of and for the year ended March 31, 2009 has been translated into U.S. dollars solely for convenience. We have audited the translation and, in our opinion, the consolidated financial statements expressed in yen have been translated into U.S. dollars on the basis set forth in Note 3 of the notes to the consolidated financial statements.

KPMG AZSA & Co.

Osaka, Japan
June 26, 2009

Stock Information (as of March 31, 2009)

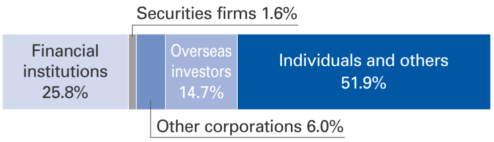
Common Stock Data

Stock Listings : Tokyo, Osaka
Securities Code : 6764
Number of Unit Stocks : 1,000 stocks
Stock Transfer Agent : The Sumitomo Trust & Banking Co., Ltd.
5-33, Kitahama 4-chome, Chuo-ku, Osaka
540-8639, Japan

Stock Data

Class	Total number of stocks issuable	Total capital stocks issued	Number of stockholders
Common stock	7,060,300,000	1,872,338,099	263,615
Class A preferred stock	182,600,000	182,542,200	3
Class B preferred stock	246,100,000	246,029,300	3

Stock Ownership (Common stock)



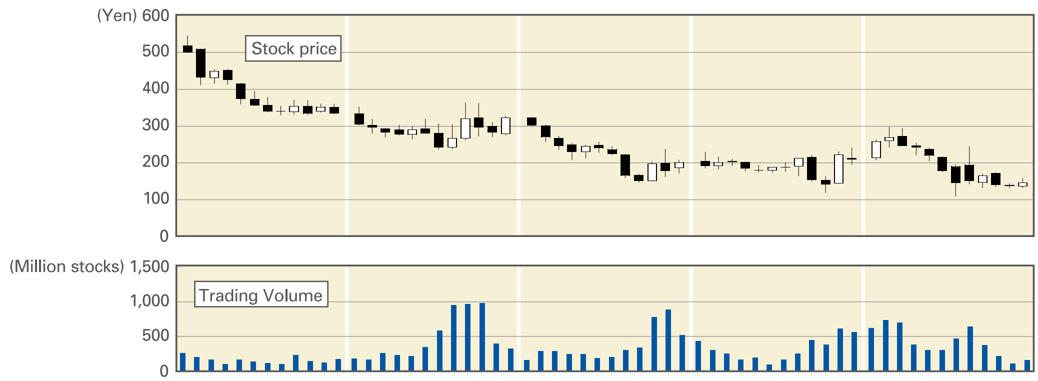
Major Stockholders

	Number of stocks	Stockholding ratio
(1) Common stockholders		
Japan Trustee Services Bank, Ltd. (trust account 4G)	85,709,000	4.6%
SANYO Electric Employees Stockholders' Association	50,681,588	2.7%
Japan Trustee Services Bank, Ltd. (trust account)	49,180,000	2.6%
Sumitomo Mitsui Banking Corporation	43,278,781	2.3%
Nippon Life Insurance Company	39,441,145	2.1%
The Master Trust Bank of Japan, Ltd. (trust account)	30,185,000	1.6%
Sumitomo Life Insurance Company	30,000,000	1.6%
Resona Bank, Ltd.	26,148,402	1.4%
Mitsui Sumitomo Insurance Co., Ltd.	23,435,000	1.3%
Shioya Tochi Co., Ltd.	22,467,977	1.2%

	Number of stocks	Stockholding ratio
(2) Class A preferred stockholders		
Evolution Investments Co., Ltd.	89,804,900	49.2%
Oceans Holdings Co., Ltd.	89,804,900	49.2%
Sumitomo Mitsui Banking Corporation	2,932,400	1.6%
(3) Class B preferred stockholders		
Evolution Investments Co., Ltd.	88,766,600	36.1%
Oceans Holdings Co., Ltd.	88,766,600	36.1%
Sumitomo Mitsui Banking Corporation	68,496,100	27.8%

Note: Evolution Investments Co., Ltd. is a wholly-owned subsidiary of Daiwa Securities SMBC Principal Investments Co., Ltd. and Oceans Holdings Co., Ltd. is an affiliate company of The Goldman Sachs Group Inc.

Stock price/Trading Volume



	Fiscal 2005	Fiscal 2006	Fiscal 2007	Fiscal 2008	Fiscal 2009
High	¥ 545	363	324	241	297
Low	¥ 330	237	148	120	110

*Stock prices and trading volumes are quoted from Tokyo Stock Exchange.

SANYO Electric Co., Ltd.

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Osaka 570-8677, Japan
Telephone +81-6-6991-1181

http://sanyo.com/

EXHIBIT R

Annual Report 2010

eco ideas

Panasonic Corporation

For the year ended March 31, 2010

Panasonic
ideas for life

Unite Our Efforts

— Drive Eco Innovation —

Profile

Since its establishment in 1918, the Company has been guided by its basic management philosophy, which states that the mission of an enterprise is to contribute to the progress and development of society and the well-being of people worldwide through its business activities.

In fiscal 2010, after adding SANYO Electric Co., Ltd. and its subsidiaries to the Panasonic Group, the Company began work on maximizing synergies, mainly in environmental and energy-related businesses. Moving forward, the Company aims to become the ‘No. 1 Green Innovation Company in the Electronics Industry’ by making the ‘environment’ central to all its business activities and bringing about innovation.

Panasonic is determined to contribute to the future of the earth and the development of society by continuing to generate ‘ideas for life’ for people the world over.

Contents

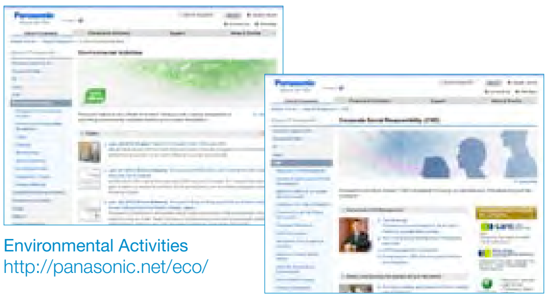
Editorial Policy

Panasonic is only publishing online its annual report for fiscal 2010, the year ended March 31, 2010.

Panasonic views this report as an effective means of communication for helping a wide range of readers, from individual investors to institutional investors, to understand the Company's management policies and business strategies.

The fiscal 2010 report focuses on growth strategies contained in the Company's new midterm management plan.

Please refer to the links to the right for information on Panasonic's approach and activities regarding corporate social responsibilities (CSR) and the environment.



Environmental Activities
http://panasonic.net/eco/

CSR
http://panasonic.net/csr/

Disclaimer Regarding Forward-Looking Statements

This Annual Report includes forward-looking statements (within the meaning of Section 27A of the U.S. Securities Act of 1933 and Section 21E of the U.S. Securities Exchange Act of 1934) about Panasonic and its Group companies (the Panasonic Group). To the extent that statements in this Annual Report do not relate to historical or current facts, they constitute forward-looking statements. These forward-looking statements are based on the current assumptions and beliefs of the Panasonic Group in light of the information currently available to it, and involve known and unknown risks, uncertainties and other factors. Such risks, uncertainties and other factors may cause the Panasonic Group's actual results, performance, achievements or financial position to be materially different from any future results, performance, achievements or financial position expressed or implied by these forward-looking statements. Panasonic undertakes no obligation to publicly update any forward-looking statements after the date of this Annual Report. Investors are advised to consult any further disclosures by Panasonic in its subsequent filings with the U.S. Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934 and its other filings.

The risks, uncertainties and other factors referred to above include, but are not limited to, economic conditions, particularly consumer spending and corporate capital expenditures in the United States, Europe, Japan, China, Asia and other countries; volatility in demand for electronic equipment and components from business and industrial customers, as well as consumers in many product and geographical markets; currency rate fluctuations, notably between the yen, the U.S. dollar, the euro, the Chinese yuan, Asian currencies and other currencies in which the Panasonic Group operates businesses, or in which assets and liabilities of the Panasonic Group are denominated; the possibility of the Panasonic Group incurring additional costs of raising funds, because of changes in the fund raising environment; the ability of the Panasonic Group to respond to rapid technological changes and changing consumer preferences with timely and cost-effective introductions of new products in markets that are highly competitive in terms of both price and technology; the possibility of not achieving expected results on the alliances or mergers and acquisitions including the acquisition of SANYO Electric Co., Ltd.; the ability of the Panasonic Group to achieve its business objectives through joint ventures and other collaborative agreements with other companies; the ability of the Panasonic Group to maintain competitive strength in many product and geographical areas; the possibility of incurring expenses resulting from any defects in products or services of the Panasonic Group; the possibility that the Panasonic Group may face intellectual property infringement claims by third parties; current and potential, direct and indirect restrictions imposed by other countries over trade, manufacturing, labor and operations; fluctuations in market prices of securities and other assets in which the Panasonic Group has holdings or changes in valuation of long-lived assets, including property, plant and equipment and goodwill, deferred tax assets and uncertain tax positions; future changes or revisions to accounting policies or accounting rules; as well as natural disasters including earthquakes, prevalence of infectious diseases throughout the world and other events that may negatively impact business activities of the Panasonic Group. The factors listed above are not all-inclusive and further information is contained in Panasonic's latest annual report on Form 20-F, which is on file with the U.S. Securities and Exchange Commission.

Financial Highlights

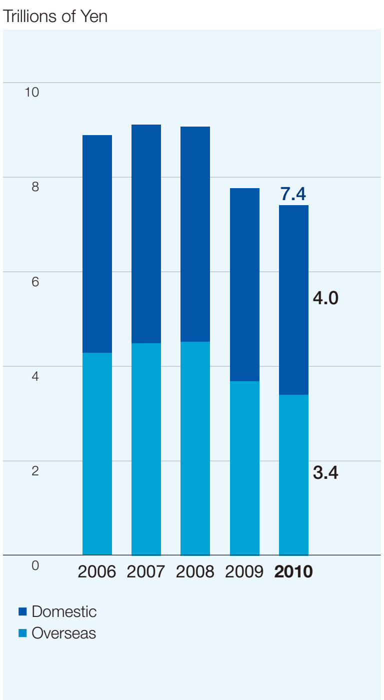
Panasonic Corporation and Subsidiaries
Years ended March 31

	Millions of yen, except per share information				
	2010	2009	2008	2007	2006
For the year					
Net sales	¥7,417,980	¥7,765,507	¥9,068,928	¥9,108,170	¥8,894,329
Operating profit	190,453	72,873	519,481	459,541	414,273
Income (loss) before income taxes	(29,315)	(382,634)	434,993	439,144	371,312
Net income (loss)	(170,667)	(403,843)	310,514	248,316	153,423
Net income (loss) attributable to Panasonic Corporation	(103,465)	(378,961)	281,877	217,185	154,410
Capital investment*	¥ 385,489	¥ 494,368	¥ 449,348	¥ 418,334	¥ 345,819
Depreciation*	251,839	325,835	282,102	280,177	275,213
R&D expenditures	476,903	517,913	554,538	578,087	564,781
At year-end					
Long-term debt	¥1,028,928	¥ 651,310	¥ 232,346	¥ 226,780	¥ 264,070
Total assets	8,358,057	6,403,316	7,443,614	7,896,958	7,964,640
Panasonic Corporation shareholders' equity	2,792,488	2,783,980	3,742,329	3,916,741	3,787,621
Total equity	3,679,773	3,212,581	4,256,949	4,467,895	4,289,212
Number of shares issued at year-end (thousands)	2,453,053	2,453,053	2,453,053	2,453,053	2,453,053
Number of shareholders	316,182	277,710	234,532	250,858	252,239
Number of employees:					
Domestic	152,853	132,144	135,563	145,418	144,871
Overseas	231,733	160,106	170,265	183,227	189,531
Total	384,586	292,250	305,828	328,645	334,402
Per share data (Yen)					
Net income (loss) attributable to Panasonic Corporation per common share					
Basic	¥ (49.97)	¥ (182.25)	¥ 132.90	¥ 99.50	¥ 69.48
Diluted	—	(182.25)	132.90	99.50	69.48
Cash dividends per share	12.50	40.00	32.50	25.00	17.50
Panasonic Corporation shareholders' equity per share	¥ 1,348.63	¥ 1,344.50	¥ 1,781.11	¥ 1,824.89	¥ 1,714.22
Ratios (%)					
Operating profit/sales	2.6%	0.9%	5.7%	5.0%	4.7%
Income (loss) before income taxes/sales	(0.4)	(4.9)	4.8	4.8	4.2
Net income (loss) attributable to Panasonic Corporation/sales	(1.4)	(4.9)	3.1	2.4	1.7
ROE	(3.7)	(11.8)	7.4	5.6	4.2
Panasonic Corporation shareholders' equity/total assets	33.4	43.5	50.3	49.6	47.6

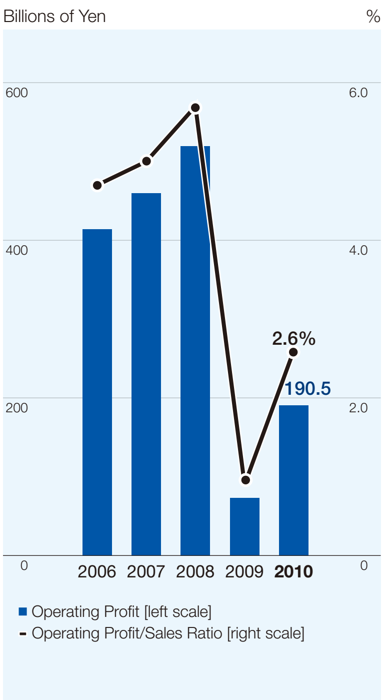
Notes: 1. In computing cash dividends per share, the number of shares at the end of the applicable period has been used. Cash dividends per share reflect those paid during each fiscal year.
2. In order to be consistent with generally accepted financial reporting practices in Japan, operating profit, a non-GAAP measure, is presented as net sales less cost of sales and selling, general and administrative expenses. The Company believes that this is useful to investors in comparing the Company's financial results with those of other Japanese companies. See the consolidated statements of operations on page 64.
3. In accordance with the adoption of the provisions of FASB Accounting Standards Codification (ASC) No. 810, "Consolidation," information for fiscal 2009 and prior years has been reclassified and restated. ("Net income (loss) attributable to Panasonic Corporation" is computed the same as "Net income (loss)" up until the year ended March 31, 2009.)
4. Diluted net income (loss) attributable to Panasonic Corporation per common share for fiscal 2010 has been omitted because the Company did not have potential common shares that were outstanding for the period.

* Excluding intangibles

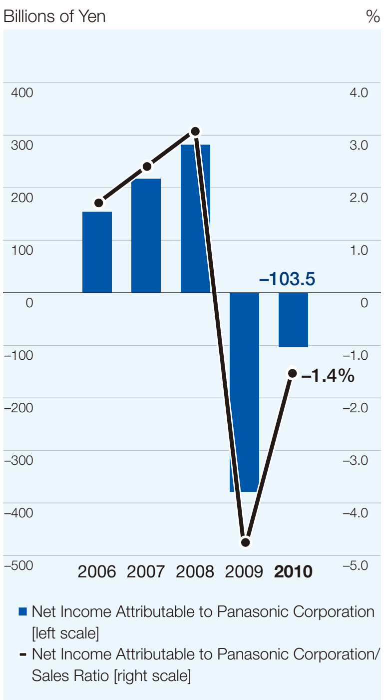
Net Sales



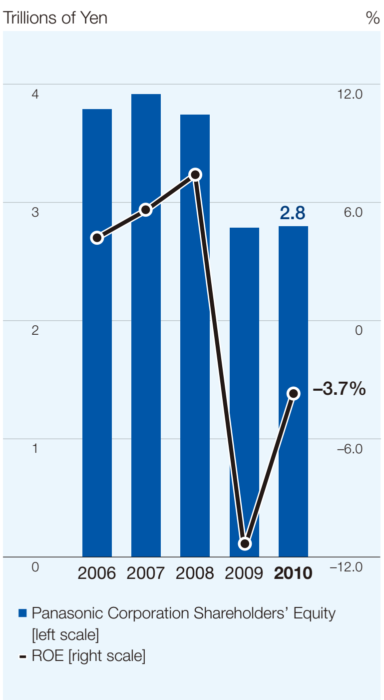
Operating Profit and Ratio to Sales



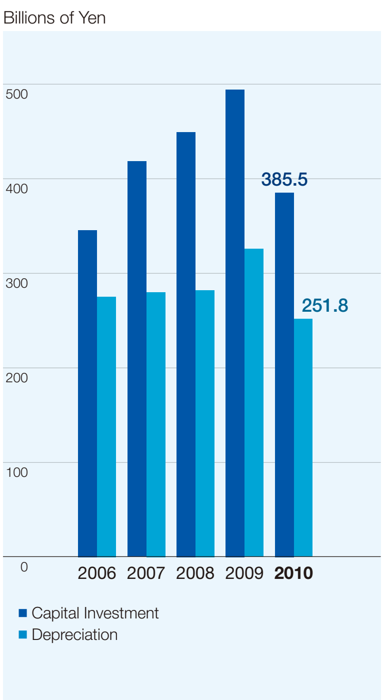
Net Income Attributable to Panasonic Corporation and Ratio to Sales



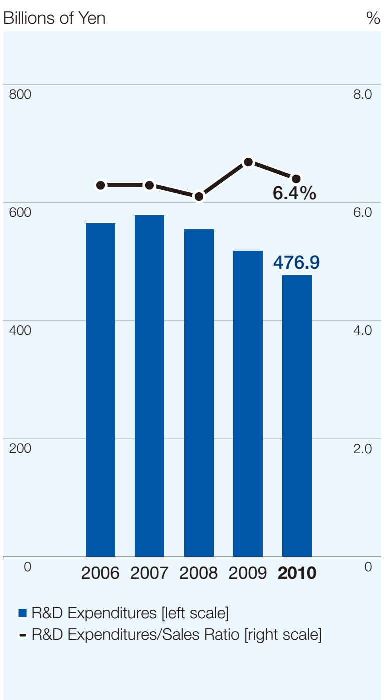
Panasonic Corporation Shareholders' Equity and ROE



Capital Investment and Depreciation



R&D Expenditures and Ratio to Sales



Panasonic's Fiscal Year in Review

2009

April 18, 2009

Opened 'eco ideas' House

Panasonic opened 'eco ideas' House, which draws on the latest technologies and expertise of the Company, PEW and PanaHome. This showroom aims to realize virtually zero CO_2 emissions by integrating the Panasonic Group's comprehensive strengths to offer solutions for the entire home.

September 10, 2009

Launched Sales of EVERLEDS LED Bulbs

The Company began selling low power consumption and long-life LED bulbs, EVERLEDS in Japan.

Refer to Lighting business on page 29.

October 1, 2009

Developed Lithium-ion Battery Module

Panasonic developed a high-energy lithium-ion battery module with high reliability. A prototype of this module was exhibited at CEATEC JAPAN 2009.

Refer to Batteries business on page 33.

Home-use Lithium-ion Batteries

December 2009

SANYO Became a Panasonic Group Company

SANYO Electric Co., Ltd. and its subsidiaries became Panasonic's consolidated subsidiaries. The Company will strive to realize synergies as early as possible by bringing together the technologies and manufacturing expertise of both companies and leverage group synergies to the fullest extent to hone its competitive edge in the global market.

Refer to Interview with the President on page 9.

Refer to Special Feature on page 20.

2010

January 1, 2010

Formed Panasonic System Networks Co., Ltd.

The Company restructured and integrated the internal division company, System Solutions Company and Panasonic Communications Co., Ltd. with a view to growing globally in the BtoB system market. Panasonic aims to expand the system networks business globally, especially in emerging markets, and raise profitability by providing integrated IP network solutions.

Refer to System Networks Business on page 26.

January 7, 2010

Developed 152-inch Full HD 3D PDPs

The Company unveiled the 152-inch high-resolution (4K x 2K) full HD 3D PDPs at 2010 International CES.

Refer to R&D and Intellectual Property on page 38.

February 2010

Opened Full HD 3D Theatre at Vancouver 2010 Olympic Winter Games

As an Official Worldwide Olympic Partner, Panasonic supported the Vancouver 2010 Olympic Winter Games. The Company showed Games' highlights in full HD 3D at the Panasonic Olympic Pavilion within the Olympic Winter Games Live Site.

Refer to System Networks Business on page 26.

Refer to Overseas Review by Region (Topics) on page 37.

To Our Stakeholders

From fiscal 2008 through fiscal 2010, we implemented a midterm management plan, GP3. Under this plan, we set the fiscal 2010 targets of sales of ¥10 trillion, ROE of 10%, and total global CO_2 emission reductions of 300,000 tons at Panasonic's manufacturing operations worldwide (compared with fiscal 2007). To achieve these targets, we worked to generate double-digit growth in overseas sales, expand strategic businesses, and reinforce our management structure through manufacturing innovation. We also accelerated environmental sustainability management. We were successful at strengthening our management structure, including reducing fixed costs. However, due to the worldwide recession triggered by the financial crisis, our performance was not what we had hoped for in terms of our growth and profitability.

In contrast, we did better than expected in environmental sustainability management, delivering greater-than-targeted CO_2 emissions reductions in our manufacturing activities. We also changed our corporate name to Panasonic Corporation and unified our corporate brands worldwide. And we invested in growth fields, including consolidating SANYO Electric Co., Ltd., as we strove to maximize our corporate value.

At the beginning of fiscal 2011, we embarked on a new midterm management plan called "Green Transformation 2012 (GT12)." Our vision under this plan is to become the 'No. 1 Green Innovation Company in the Electronics Industry' leading up to our 100th anniversary in 2018. Our aim is to take the lead in solving global environmental issues, the world's common challenge. GT12 is the first step on this new journey. Over the next three years we will contribute to the environment and business growth, as highlighted by the two central themes of the plan: 'Paradigm shift for growth,' and 'Laying a foundation to be a Green Innovation Company.' In line with these themes, we will unite together to establish a 'Panasonic Group filled with strong growth potential,' breaking away from our current business structure that leads to overconcentration on existing fields, focus on Japan and preference for individual products.

I hope that shareholders and other stakeholders will continue to support our efforts under GT12.

July 2010

Kunio Nakamura

Kunio Nakamura, *Chairman*

F. Ohtsubo

Fumio Ohtsubo, *President*

Interview With the President

Reflecting on GP3

Q1 How would you evaluate Panasonic's performance in fiscal 2010?

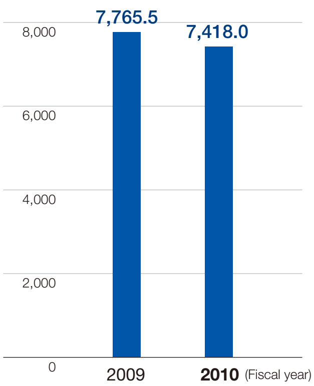
A1 We have improved our operating profit. However, we must increase sales, return to profitability on the bottom line and improve more quickly in other areas to achieve a bona fide recovery in our performance.

Our net sales declined 4% to ¥7,418.0 billion, even after adding 3 months' sales of SANYO Electric Co., Ltd. (SANYO) and its subsidiaries for the period from January to March 2010. Despite this top-line decline, operating profit increased sharply to ¥190.5 billion as we strengthened our management structure. This included rationalizing materials costs and reducing fixed costs. But we also recorded net non-operating expenses of ¥219.8 billion, including business restructuring expenses. This led to a loss before income taxes of ¥29.3 billion and a net loss attributable to Panasonic Corporation of ¥103.5 billion.

In terms of both sales and earnings, these results were better than we projected in February 2010. Most notably, operating profit was 2.6 times larger than the previous year. This showed that we are now able to steadily generate earnings after our results hit a low in the fourth quarter of fiscal 2009, the period from January to March 2009. But this only represented a modicum of success. It is regrettable that we recorded a loss before income taxes and a net loss attributable to Panasonic Corporation for the second year in a row. We are committed, however, to growing sales, returning to bottom-line profitability and making other progress as quickly as possible so that we can say we have made a bona fide recovery in our performance.

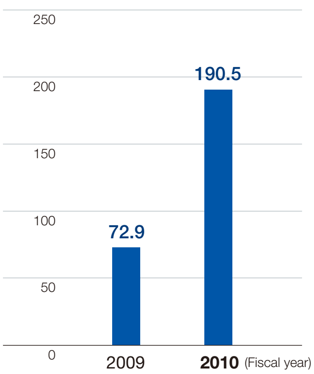
Net Sales

(Billion yen)



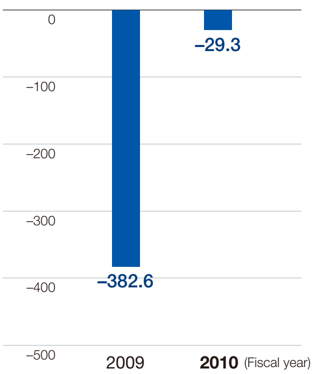
Operating Profit

(Billion yen)



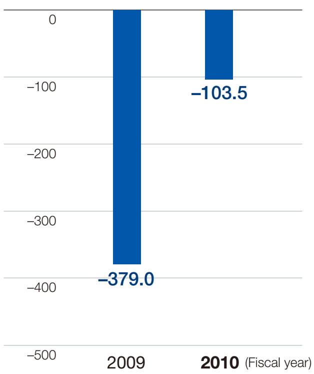
Income Before Income Taxes

(Billion yen)



Net Income Attributable to Panasonic Corporation

(Billion yen)



Q2

Could you sum up your overall thoughts on the past three years having completed GP3?

A2

We will learn from our growth and profitability performance during GP3 to make further improvements.

The concept of GP3 was to deliver steady growth with profitability. We took various steps in line with this concept, but our efforts were thwarted by major changes in our market environment, and we fell substantially short of our targets of sales of ¥10 trillion, and ROE of 10%. Our growth rate and profitability were extremely disappointing. While we had a measure of success in strengthening our management structure—we raised our marginal profit ratio and cut costs, for example—we fell short of our GP3 targets of achieving double-digit growth in overseas sales and growing four strategic businesses*. One achievement we can be proud of is eclipsing our CO_2 reduction target. We cut CO_2 emissions by 840,000 tons against our target of 300,000 tons, compared with fiscal 2007.

We must also bear in mind that some of our rivals made the most of this difficult business environment and continue to grow steadily. Compared to these companies, we lacked sensitivity to change and failed to transform fast enough. Another challenge we face is commoditization of products. But under our new midterm management plan, GT12, we must take steps from the ground up to address the structural problems in our businesses to overcome these challenges.

* Digital AV networks business, Car electronics business, Appliance solutions business and Black Box devices business

Creating a 'Panasonic Group Filled With Strong Potential Growth'

Q3

How have you positioned the next three years in terms of putting the new Panasonic Group on a growth trajectory?

A3

To realize our vision of becoming the 'No. 1 Green Innovation Company in the Electronics Industry,' we aim to establish a 'Panasonic Group filled with strong potential growth' by fiscal 2013.

Our Group vision for 2018 is to become the 'No. 1 Green Innovation Company in the Electronics Industry.' Our new midterm management plan is the first stage of this journey. We will contribute to the environment and business growth to build a new Panasonic, with a 'Paradigm shift for growth' and 'Laying a foundation to be a Green Innovation Company' as two key themes. Executing these themes should establish a 'Panasonic Group filled with strong potential growth.'

The paradigm shift for growth has three facets. We will shift our business

1) from existing businesses to new businesses such as energy,

2) from Japan-oriented to globally-oriented, and

3) from individual products-oriented to solutions and systems business-oriented.

There are two facets to lay a foundation to be a Green Innovation Company:

1) increase profitability based on growth, and

2) enhance contribution to the environment.

We have set indexes to measure our performance against each of these aims.

GT12 includes the following management goals: ¥10 trillion in sales, 5% or more in operating profit to sales ratio, a 3-year accumulative total of over ¥800 billion in free cash flow, 10% ROE, and a 50 million ton reduction in CO_2 emissions (compared with the fiscal year ended March 31, 2006).

Four main Group strategies will drive us toward these management goals: achieving growth with six key businesses*, expanding overseas business focusing on emerging markets, reinforcing solutions and systems business, and collaborating with SANYO.

* Energy systems business, Heating/refrigeration/air conditioning business, Network AV business, Healthcare business, Security business and LED business

Q4 Could you explain in more detail what is behind measures to achieve a paradigm shift for growth?

A4 In order to achieve new growth, it is important that we create products and businesses as well as approach new markets.

The business environment and markets are in the throes of major change worldwide. As our external environment changes structurally, we must also change the structure of our businesses. This of course involves reinforcing management structures by raising the marginal profit ratio, reducing fixed costs and making other improvements. But more important still is to create businesses and products, and enter new markets to drive new growth. Of the three facets to the paradigm shift I mentioned earlier, the keywords are: new business fields, overseas, and solutions and systems. Importantly, we will chart our progress with this paradigm shift against 'Transformation Indexes.'

As I said, our paradigm shift for growth will center on six key businesses. Of these, we will make the greatest effort in energy systems to create new markets. We have set the fiscal 2013 sales goal of ¥850.0 billion for the energy systems business as a flagship business, which would represent an annual average growth rate of 16%. We aim to achieve this goal through energy creation, energy storage, energy management systems and products related to eco-cars.

Our key focus to become globally-oriented is to generate significantly higher sales in emerging countries, whose presence continues to grow in the global economy. We have seen new customers and product segments formed, and if we shy away from competing in these new areas, we will be left behind and find it extremely difficult to grow. However, we are not doing that. We are strengthening lifestyle research overseas so that we can better develop products for local customers. BRICs+V*1 and MINTS+B*2 are our focus. In these key markets, we aim to increase sales to ¥330.0 billion in fiscal 2013 for consumer and systems sales combined.

Strengthening solutions and systems is essential

amid the commoditization of electronic products. We must leverage the Panasonic Group's comprehensive strengths to change the structure of our businesses. Our strength lies in energy creation, energy storage and energy-efficient products, as well as the energy management systems to optimally control them. With these core strengths, we can provide comprehensive solutions, including security, lighting and air-conditioning systems, for entire homes and buildings. Other companies do not have these distinctive strengths. In our systems and equipment businesses, we aim to grow overseas sales by an annual average growth rate of 11% by fiscal 2013.

*1 BRICs+V: Brazil, Russia, India, China and Vietnam
*2 MINTS+B: Mexico, Indonesia, Nigeria, Turkey, Saudi Arabia, and the Balkans
(Saudi Arabia was added to this second-tier group of emerging nations, hence the name change from MINTs+B to MINTS+B.)

Transformation Indexes

	Indexes	FY2010	FY2013	FY2019 (direction)
New Business Fields	Sales ratio of six key businesses	35%	**42%**	55% or more
	Sales of energy systems business	¥540 billion	**¥850 billion**	¥3 trillion or more
Overseas	Sales in emerging countries*	¥440 billion	**¥770 billion**	—
	Overseas sales ratio	48%	**55%**	60% or more
Solutions & Systems	Sales of systems & equipment business	¥2.2 trillion	**¥2.6 trillion**	¥3.5 trillion or more
	Overseas sales ratio (for systems & equipment)	33%	**39%**	50% or more

Note: Figures for FY2010 include annual figures for SANYO.
* Panasonic's consumer and systems sales for BRICs + Vietnam and MINTS + the Balkans

Q5 In the past fiscal year, you added SANYO to the Panasonic Group. How do you plan to capture synergies with SANYO?

A5 Synergies will be captured through collaboration in businesses and by strengthening management structure. We expect to generate synergies of at least ¥80.0 billion on an operating profit basis in fiscal 2013.

Panasonic has long developed a broad range of living and lifestyle-related products in the electronics business. SANYO, meanwhile, is a leader in solar cells and rechargeable batteries as well as commercial equipment and devices. Adding SANYO to our group will thus widen and deepen our businesses. There is much potential here and we will exploit it to maximize synergies.

Some of the specific areas we feel we can capture synergies through collaboration are to utilize each other's sales networks, increase sales by proposing systems combining both companies' products, and make product development more unified and efficient. By sharing infrastructure and know-how, and centralizing the procurement of materials, we can also strengthen our management structure. We believe that such actions have the potential to yield synergies that can increase operating profit by at least ¥80.0 billion in fiscal 2013. To capture these potential synergies faster, we set up the Strategic Working Committee for Group Collaboration on April 1, 2010.

Shareholder-oriented Management

Q6

What is your stance on rewarding shareholders?

A6

The return of profits has been one of our most important management policies since our founding.

Since its establishment, Panasonic has managed its businesses under the concept that rewarding shareholders is one of its most important policies. In accordance with this basic stance, the Company has proactively and comprehensively returned profits to shareholders. Under GP3 from fiscal 2008, we aimed to achieve stable and continuous growth in dividends, targeting a dividend payout ratio of between 30% and 40% with respect to net income attributable to Panasonic Corporation. At the same time, with the aims of increasing shareholder value per share and return on capital, we have repurchased our own shares as we considered appropriate.

Although our performance in the past fiscal year was much better, we were unfortunately only able to pay an annual dividend applicable to fiscal 2010 of ¥10 per share because of our second net loss in a row. While we expect severe business conditions to continue, we will strive to improve our performance as soon as possible and distribute earnings to shareholders. And this starts in fiscal 2011, the first year of GT12, by growing sales and returning to profitability on the bottom line.